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Canada-Dominion-Provincial Relations, Royal
Commission on, 1937



ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

REPORT OF HEARINGS

[New Brunswick]
Vol. 1, Pt. 1-2

MAY 18 1938 — May 19, 1938

REPORTERS:

George Thompson
John Robertson
David Torry

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FREDERICTON, NEW BRUNSWICK, MAY 18, 1938

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ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

FREDERICTON, NEW BRUNSWICK, MAY 18, 1938

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Parliament Buildings, Fredericton, New Brunswick, on Wednesday, May 18, 1938, at 10.30 a.m.

PRESENT:

COMMISSIONER SIROIS....THE ACTING CHAIRMAN

JOHN W. DAFOE, Esq.

DR. ROBERT ALEXANDER MacKAY

PROFESSOR HENRY FORBES ANGUS

)
)
)

Commissioners

Commission Counsel:

James McGregor Stewart, K. C.

Secretariat:

Alex. Skelton, Esq.

Adjutor Savard, Esq.

R. M. Fowler, Esq.

Wilfrid Eggleston, Esq.

Secretary

Secrétaire Français

Legal Secretary to

The Chairman

Assistant to the
SecretaryFOR THE GOVERNMENT OF NEW BRUNSWICK:

Hon. A. Allison Dysart, K. C.

Hon. J. B. McNairn, K. C.

Hon. A. P. Pateson

Premier, Minister of
Public Works

Attorney-General

President Executive
Council, Minister of
Education and of
Federal and Municipal
Relations

Hon. A. C. Taylor

Hon. W. P. Jones, K. C.

J. H. Conlon

Minister of Agriculture
CounselDeputy Minister of Federal
And Municipal Relations

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Parliament Buildings,
Fredericton, N.B.,
May 18, 1938.

MORNING SESSION

The Commission met at 10.30 A.M.

THE HON. A.A. DYSART, K.C.: Mr. Chairman and
Gentlemen of the Dominion-Provincial relations commission.

It affords me great pleasure indeed to welcome the members of the Royal Commission on Dominion-Provincial relations to the province of New Brunswick. I regret that the arrangements we had made to meet the Commission at the depot this morning were changed somewhat by a slip on the part of a freight that slid past the regular passenger train. But, I am happy to see that our congenial friends accepted our hospitality in the proper spirit.

I trust that your brief stay will be pleasant and I need not assure you that the proverbial hospitality of our people will not be found wanting.

May I at the outset express to you, Mr. Chairman and Members of your Commission, our deep sense of regret at the inability of His Lordship, the Chief Justice to be with us on this occasion. It is our sincere hope that he may soon be restored to full health, so that he may be in a position to bring his fine talents and wide experience to the consideration of the various problems, which you and he, in the undertaking of this mighty task, will have to consider.

It was also our good fortune on several occasions to meet his Lordship the Chief Justice along with my good friend Doctor Mackay, and that altogether too brief contact rather accentuates, if I may say so, our regret at his present illness and consequent absence from this gathering. He has kindly advised me that he will follow the brief very carefully and with the notes taken from the reports of this gathering, he will be able to follow the brief carefully

throughout.

We fully appreciate the tremendous responsibility which this Canada-wide Dominion-Provincial survey involves. The close study which the briefs call for, the analytical surveys necessary, naturally entail a tremendous amount of work. The end of your work, however, is in sight, and it shall be our aim to present our brief with dignity and despatch. We trust it may be found comprehensive, enlightening, and yet modest.

Perhaps this is the best time to write into the record our conception of the facts and consequence of these hearings. I can do this in no better way than to quote the words of a former Prime Minister, when submitting to the Duncan Commission a brief on behalf of the Province. On that occasion he spoke as follows:

" In laying before the Commission a statement of the views of the Province of New Brunswick with reference to the claims of that Province against the Federal Government, it is desirable to point out that the province considers that its claims are a matter properly of direct negotiation between the two governments concerned. If the Federal Government wishes to inform itself by means of this Commission of the existence of a certain state of facts, the Government of New Brunswick will be glad to assist the Commission in every possible way; but in so doing desires it to be distinctly understood that it in no way binds itself to accept the conclusions of the Commission as decisive between the Provincial and Federal Governments. In other words, the Province of New Brunswick is not submitting a case to a judicial or arbitral body, but simply to an agency of the Federal Government for the purpose of conveying

information to the latter body".

These views thus expressed, today represent the views of this Government. Your Commission, we take it, is purely a fact finding Commission and, naturally, is expected and required to submit recommendations. In the final analysis, however, differences in outlook as between the Province and the Dominion must continue to be the subject of negotiation.

New Brunswick's confidence in Confederation has not been destroyed. It is impossible to say what impressions may have been created by opinions, thoughts and suggestions originating outside this province which have appeared sporadically in the press. But I can assure you that in our study of the problems presently under investigation, New Brunswick is neither reactionary nor parochial.

This province, in common with the other partners, entered into Confederation after much painstaking study and careful consideration and, on the day of the consumation of the compact, this province was no more loyal to the union than she is today. Differences inevitably will arise during the years that lie ahead, as they have during the past seventy years. Adjustments from time to time must be made, but these differences can and will be ironed out, and the tremendous study which your Commission is today making of matters economic as between the Provinces on the one hand and the Federal Government on the other, should facilitate speedy adjustment of differences.

This Province speaks for itself. In its loyalty to the union and in its decisions, it is not influenced by the views of others whether these be the original or subsequent partners of the union, of Confederation. Our views reflected in the Brief which will be presented to you by Honourable Mr. Jones, are most sincerely arrived at after careful and exhaustive study. We, in turn, ask only that you give to this

question that sympathetic and careful consideration which its importance demands, and we ask you only to endeavour to study the brief from our viewpoint.

In addition to the Brief being presented by the Province there has been filed with you, I understand, Briefs of the Union of New Brunswick Municipalities, the City of Saint John, Counties of Gloucester and Northumberland, the Boards of Trade of Saint John and Fredericton, the Transportation Commission of the Maritime Board of Trade, The Teachers' Association of New Brunswick. I would bespeak for these your earnest consideration.

The old adage is as true today as ever: "A chain is as strong as its weakest link". This great union -- the dream of that daring band now reverently referred to as the Fathers of Confederation -- shall flourish and prosper in direct proportion to the degree of happiness and prosperity of its component parts. Should any of the nine pillars of this structure show signs of decay it will very definitely and directly effect and place in jeopardy the whole union which they support. It is, therefore, of the utmost importance that the economic causes of apparent languishing on the part of some provinces be viewed most sympathetically and studied most closely.

We yield to none, Mr. Chairman, in our faith in Confederation, nor in our loyalty to the Crown, that Canada shall grow and prosper is our aim. Our contribution to Canada in man-power is, I think, an accepted fact. We have shirked no responsibility in our aim and struggle to make the dream of the founders of Confederation a happy realization. The strategic position which this Province occupies in Canada, today, is not less important than when viewed from pre-Confederation days. Its importance may be more readily visualized should an International conflict ever

project itself upon the screen of human affairs, which, God forbid. Therefore, the strongest possible measure of cooperation and understanding is necessary to the attainment of that fruition which the framers contemplated for this union.

An annual Dominion-Provincial conference, such as has been proposed to you elsewhere, would it is felt, provide opportunity for a stocktaking and the sharing of views and opinions on current problems. Such a Conference should give a healthful stimulus to unity and solidarity between the Provinces which, there is no doubt, is wholeheartedly desired by all. Some permanent plan of organization, such as is to be found in the Department of Federal Relations in this province, should prove helpful.

It is the aim and ambition of this Government to facilitate the work of your Commission. Honourable Mr. Jones, in the presentation of the brief, will have at all times access to the members of the Government as well as the Departmental heads, who will be prepared to bring to your Commission any further information you may require affecting the several Departments of the Government.

I desire to extend to all members of the Commission and staff a most cordial welcome to the Province of New Brunswick. It is our wish and hope that your stay in our midst may be happy and pleasant and that pleasant memories of your visit may long linger with us.

Because of the lateness of our spring season, this royal city and countryside are not quite as attractive as they would ordinarily be, yet I am sure, during the moments of play that we might snatch from these arduous days, we shall be able to grasp the significance of what we mean when we speak of this Province as the great playground of North America. The realities of life are with us, however, and if

we but attain to the legitimate hopes and aspirations enjoyed by the citizens of this province, you may carry away with you the assurance that this province shall, in the future, as in the past, bravely do its part to make this great Confederation the dream of its founders and the pride of the great family, the British Commonwealth of Nations.

THE ACTING CHAIRMAN: Mr. Prime Minister: The Royal Commission on Dominion-Provincial Relations opens its sittings in the City of Fredericton, after having started its work at Winnipeg, and held hearings in Regina, Halifax, Charlottetown, Victoria, Edmonton, Toronto, Quebec and Ottawa. By a happy coincidence, indeed, this happens to be Loyalist day when New Brunswick is celebrating the memory of those whose sacrifices, heroism and devotion to duty did so much for this province. On such a day, it was fitting to read in a morning paper these words which I make mine: "The whole province of New Brunswick bears the impress of the Loyalists, for they carried loyalty wherever they went."

On behalf of my colleagues and myself, I desire to express to you our sincere thanks for your kind words of welcome, your offer of hospitality, and promise of cooperation withⁱⁿ the bounds mentioned in your remarks.

It had been decided, with your approval, that the Commission should sit here some weeks ago. But as our Chairman was then taken ill, you very willingly and obligingly agreed to a postponement. We thank your Government and yourself for this very delicate attention. I am sorry, however, to inform you that the Hon. N.W. Rowell has not yet sufficiently recovered to take part in our deliberations.

Our Commission largely benefitted from the prestige which our Chairman held on account of his great learning,

his knowledge of men and things, his keen mind, his remarkable tact, his smiling courtesy. A rest will allow him to resume with us and complete the work begun.

What is the sphere, what are the limitations of our authority? Without limiting the general scope of our inquiry, the Order-in-Council appointing us as Royal Commissioners, instructed us in particular:-

- (a) - to examine the constitutional allocation of revenue sources and governmental burdens to the Dominion and provincial governments, the past results and such allocation and its suitability to present conditions and the conditions that are likely to prevail in the future;
- (b) - to investigate the character and amount of taxes collected from the people of Canada;
- (c) - to examine public expenditures and public debts in general;
- (d) - to investigate Dominion subsidies and grants to provincial governments.

We are also instructed to express what in our opinion, subject to the retention of the distribution of legislative powers essential to a proper carrying out of the federal system in harmony with national needs and the promotion of national utility, will best effect a balanced relationship between the financial powers and the obligations and functions of each governing body, and conduce to a more efficient, independent and economical discharge of governmental responsibilities in Canada.

Briefly, our main function is to re-examine the economic and financial bases of our federation, and of the distribution of legislative powers in the light of the economic and social development of the last seventy years.

It will be our task to suggest, if possible, means to conciliate the interests of the different provinces so as to allow the federal and provincial authorities to function smoothly and harmoniously within the properly defined limits of their respective jurisdiction. I have said "suggest" because we were not appointed to do more. Our Chairman has expressed our views in the following words, and I could not improve on his way of putting it:

" We were not appointed and we do not understand our function to be, to revise the constitution. That is not the purpose for which the Commission was appointed, nor do we intend that to be our object. We are a fact finding body. It is our duty to investigate, ascertain the facts and make our report. If on the facts as we find them it would appear that there should be some change in the financial relations between the Dominion and the provinces, it is our duty to recommend what those changes should be, but our recommendations must be within the strict limits of a Federal constitution ...

Any report which we may make will depend for its value on its inherent merits. It may be good or bad. Its value will depend solely upon its merits. The report, of course, must be followed by a conference such as you have suggested, or some method whereby the Governments of the Dominion and the provinces meet together and confer on those various problems with a view to their solution .. "

You will therefore see, sir, that our views are not different from yours and those of your Government and that we are "purely a fact-finding Commission."

At that, it would be practically impossible for us to even attempt such a task if we were not to receive every possible help from the different Governments, associations,

corporations as well as churches. We welcome any assistance we can secure. We may fail, but it will certainly not be for lack of good will and devotion to duty on our part.

Once again, Mr. Premier, I beg you to accept our most sincere thanks for your kind words and promise of cooperation, thanks which we extend to all organizations and associations which have so willingly sent us briefs and statements.

It might also perhaps be well to indicate the hours we intend to sit. We usually begin every morning at 10.30, sitting until one o'clock, and then we adjourn and resume at half past two, sitting until 4.30. If this is satisfactory to you gentlemen, we would like to continue that procedure.

HON. MR. DYSART: That is satisfactory to us, Mr. Chairman.

THE ACTING CHAIRMAN: Then, if the province will proceed with its submission. I understand the Hon. Mr. Jones is in charge of the submission

HON. MR. W.P. JONES, K.C.: Mr. Chairman and Gentlemen, I have the honour to present the submission on behalf of the Government of New Brunswick,

May I be permitted to say at the outset that the Government of the province regards the appointment of this Commission as a bona fide attempt on the part of the Dominion Government to bring about a satisfactory adjustment or solution of the difficulties which undoubtedly do exist, and we think that all the provinces should enter wholeheartedly into the arrangement in order that the exact situation may be known.

New Brunswick, as the premier has very well said, is ready to cooperate to the fullest extent.

I would like to say also that we regard the gentlemen composing this Commission as able and representative as any to be found in the whole length and breadth of the nation.

I have had the opportunity of hearing his Lordship the Chief Justice arguing cases both in the Supreme Court of Canada and in the Privy Council, and I, in common with most of the members of the Bar, in fact, I think all members of the Bar, realize his great ability, and I regard him as one of the leading Counsel in the Empire. Therefore, it was with great regret that we found he was not able to be with us. But, we realize that he will follow the proceedings carefully, with the notes that are being made of everything that takes place. And we have no doubt that perhaps so far as the Commission is concerned his advice will be quite as valuable as if he were indeed present here today. It may not be quite so valuable to us, as if he were present, because as you, Mr. Chairman, have indicated, we would lose the benefit of that wide experience and that knowledge of the law that he brings to the discussions that we undertake today.

I also wish to say that any reference that we make to the Dominion, its policies, its legislation or its conduct at any time, we do not wish to be understood as criticizing any particular statesman or any particular party or administration. We realize the many difficulties with which, in the early days, public men had to contend.

We also desire to place on record the great respect we hold and the consideration that we are anxious to show for the present members of the Parliament at Ottawa, many of whom are devoting the best years of their lives to the service of the nation.

Whatever may be contained in the brief that might appear to be some reflection on some particular individual or party, I can assure you, Mr. Chairman and Gentlemen, that there is no intention to raise any question as to the political parties or anything of that kind. We are approaching this

Commission purely from the standpoint of New Brunswick, and we feel that by its very appointment we have an invitation which, as a Government, we have no right to neglect, representing the people of this province as we do, and that as an invitation we have a right to assume that we should place before this Commission all of those matters which are in the minds of the people of this province at the present time.

While the Hon. Premier of the province and the members of his government have given, most readily, advice in the preparation of this brief, I wish particularly to ^{tribute} pay to the Hon. Dr. Paterson, Minister of Education, Federal and Municipal Relations, who has throughout rendered the most valuable assistance.

As the premier has said, the officials of the various departments of the government will be available to the Commission for the purpose of supplying information as may be required during the progress of the hearing, respecting their several branches of the public service.

In the reading of the brief, and I may not trouble you gentlemen with reading the whole of it, but in the reading of the brief I may make certain comments and explanations, and I presume that the members of the Commission may also wish to ask certain information along certain lines. If I am able to supply that information I will be very glad to do so, but if at the moment I am not able to supply it, I will try to do it before the hearings close.

Now, with your permission, I will read certain portions of the brief:

" We welcome the members of the Royal Commission to the province and are much pleased to have an opportunity of presenting some considerations which it is hoped will meet with approval.

" Before referring particularly to the case of New Brunswick we venture to submit a plan to be adopted in the consideration of Dominion-Provincial financial relations.

Our submission is that, apart from the adjustment of any special claims by a province against the Dominion, increased allowances be provided, so far as possible from time to time, by conditional subsidies; that such allowances be based upon the principle of fiscal need; that, in respect of services which are held to be within provincial jurisdiction, administration by the Province with grants-in-aid from the Dominion will prove most efficient that such grants-in-aid be paid in each case as directly as may be practicable to or for the benefit of the individuals or the particular service to be assisted; that it is most desirable that the existing difficulties be overcome so far as reasonably possible within the limits of the present constitutional provisions, and that there be closer contact and cooperation between the Dominion and the provinces through a department of state for the provinces at Ottawa and departments of federal relations in the provinces.

In addition to increased annual grants generally, some provinces will ask that special allowances be provided to render more effective certain services which are within provincial jurisdiction, such as those relating to social matters generally, and to the treatment of tuberculosis, to public health, mental cases and education.

It has been represented that certain Provincial Governments, having substantially exhausted taxation possibilities within the province, have not been

able to afford to their people in respect of the above mentioned matters the same advantages as those enjoyed by persons residing in what might be termed the wealthier provinces.

Our submission is that those services should be administered by the province "

That is, those services which are held to be within provincial jurisdiction.

"... with the assistance of the Dominion, but that every payment should be appropriated to the particular object for which the allowance is made and that there should be means afforded whereby the Dominion might have a constant check on expenditures."

MR. STEWART: Mr. Jones, do you indicate later in your brief the method of determining fiscal need?

HON. MR. JONES: In this way, that the method would be wholly by a comparison, not altogether from the fact that a province could not extort, I will not say "extort", but recover some little further revenue by means of oppressive taxation or taxation upon the people, not that, but that the question of fiscal need must be determined by a comparison of the situation in the several provinces, and that it is a relative term.

MR. STEWART: I meant rather the tribunal by which fiscal need will be determined. Would that be ^{by} negotiation or by investigation by an independent tribunal?

HON. MR. JONES: I would say it might be either way. What was in my mind was that from the researches that are being made now through this commission, a set-up may be shown that would pretty well indicate the situation of the various provinces in that respect, and that whether it were done after that is shown, by some recommendation of

this commission or by some further inquiry, I am not prepared to say which would be the most effective.

But, what I do say is that it is a relative matter and, as I have indicated, it is not dependent upon whether some further taxes might be obtained from the people of a province. When a province shows it has administered its affairs fairly and reasonably, even though some mistakes may have been made or some extravagances may be shown--anyone is liable to make a mistake--but if that has been shown and it has been shown also that the province is not able to supply its people with the same treatment in respect of these social activities as other provinces, then I think it is a case where fiscal need should be applied.

COMMISSIONER DAFOE: Mr. Jones, it is very important that some procedure should be set up to determine what additional grant should be made. This should be available to all provinces.

HON. MR. JONES: Yes, that is correct.

COMMISSIONER DAFOE: This would seem to indicate the creation of some such body as the Australian Grants Commission rather than that there should be bi-lateral agreements between the Dominion and the provinces which would give rise, inevitably, to some other province saying that special pressure or special consideration had affected a particular decision.

HON. MR. JONES: I am very glad, sir, that you make this suggestion now. What we propose in that connection, as will appear in the brief, is that something in the nature of a permanent or what might be regarded as a permanent commission be set up. We do not say that it should be a Grants Commission appointed, perhaps, by the Dominion government, but we say that it should be a Commission whereby the provinces are represented; that

is to say, by a secretary of state or some other official appointed by the Dominion Secretary of State for the provinces, as well as the Department of Federal Affairs in the provinces. The idea would be that there would be close cooperation between the provinces and the Dominion. In addition to acting in the way of a Grants Commission such as you have indicated, its other duties would be to iron out or suggest methods by which certain difficulties might be ironed out which arise from time to time, not only between the provinces and the Dominion, but between the provinces themselves. This might be a permanent organization, taking the place of a Grants Commission because, after all, a Grants Commission could simply recommend to the government--I presume it is not urged in any province that it have the power to make a final determination. Our position is that there should be this permanent body. This would be a commission to determine and recommend from time to time; it would be constantly working.

Now, there has not been very much contact, that is proper contact, between the provinces and the Dominion in the past. As we point out in the brief, the Dominion has a representative in the foreign capitals, but it has no representative to these states or units of the nation, which compose a part of what is called the Dominion of Canada. No effort seems to have been made by the provinces or the Dominion to establish such contact. We all know from our experience in ordinary business that when people get together around a table a lot of their alleged difficulties can be disposed of. In answer to your question sir, I would say that we do propose the creation of a permanent organization to make recommendations in regard to these matters.

To proceed with the brief:

"We agree with the statement which the Honourable Mr. Dunning is reported to have made recently that "The solution of our problems can be found within the principles of the British North America Act laid down seventy years ago."

We are not without the experience resulting from a definite application of this principle.

A proposition was made to the provinces--"

Of course, it was made by legislation, but it was really a proposition because the provinces could either reject or accept it.

Continuing to quote:

"--by the Dominion in respect of old age pensions. It did not involve an amendment to the Constitution. It was designed to assist the provinces in carrying on what then was regarded as a necessary public service within provincial jurisdiction.

This scheme has been concurred in by all the provinces. It has now been extended to pensions for the blind. The Dominion pays 75 per cent of old age pensions and of pensions for the blind. The expense of administration is borne by the province.

Every pension payment must be approved by the Dominion."

Strictly speaking, I should qualify that in this way: We may grant old age pensions for a month or two months, but the Dominion has to approve of them, very quickly. Though the examination of the application may be elementary, it means that all pension payments must be approved by the Dominion before they are carried out.

Continuing to quote:

"The Dominion has a constant check upon expenditures and each cheque goes direct to the pensioner. We recommend this plan with respect to additional contributions of the Dominion to the provinces which are to be applied to special purposes. It may not be possible to reach the individual as in the case of a pensioner, but we could reach the local authorities, the idea being to come as closely as possible to the people. One important consideration is that the arrangements are capable of adjustment from time to time as conditions may warrant."

Just as in the case of an old age pensioner--if something happens whereby a pensioner becomes better able to support himself, an adjustment can be made.

Continuing:

"The manner in which this plan has been carried out is an object lesson. It has provided closer contact between the Dominion and the provinces. Whatever slight difficulties arose during the years of operation were ironed out at a conference held last year. Under the chairmanship of the Honourable Mr. Dunning, the representatives of all the provinces, by a round table discussion, were able to agree unanimously in regard to all matters in question."

COMMISSIONER DAFOE: The Dominion does not say who is to get old age pensions, it takes your decision upon that matter does it not?

HON. MR. JONES: Yes, the Dominion is satisfied to take our decision. However, the Dominion writes and criticizes, and calls our attention to certain things.

The Dominion sees that we comply strictly with the terms of the statute in making our grants; the Dominion has supervision in that way. The Dominion's contribution every three months is not made until the federal government is satisfied that this provincial government's statement indicates that it has complied with the law.

COMMISSIONER ANGUS: But carry that example one step farther and assuming you would desire to make the old age pension scheme contributory. If you changed it from a gift from the state, to a contribution by the state and a contribution by the individual which would be paid over a period, the arrangement you are suggesting would require legislation both by the Dominion and by each of the provinces, would it not?

HON. MR. JONES: I rather think so.

COMMISSIONER ANGUS: I mean, when you speak of the arrangements being easy to adjust, it seems an arrangement of that kind would be rather difficult, would it not?

HON. MR. JONES: That kind of contribution would be rather difficult. It would certainly require general legislation. Whether it would involve an amendment to the Constitution or not, I would not like to say, at the moment. However, that is not exactly what we had in mind, it might or might not be a question which would arise afterwards.

COMMISSIONER ANGUS: I mean to say this, that would illustrate something which would require legislation by the nine provinces and that is something which might be very difficult, very cumbersome. Would that difficulty be some reason for arguing that the system of conditional grants was, itself, cumbersome?

HON. MR. JONES: Well, it might be, but after all,

if we asked for a constitutional amendment to meet a situation of that kind, if it should be necessary, it might be said that the legislation in the nine provinces might be just as easy to obtain as the consent of the nine provinces to amend the constitution. It all depends on how you have to amend the constitution. This is a question which, offhand, I should think might be dealt with because, even in old age pensions it requires legislation by the province as well as legislation by the Dominion.

Referring to this conference under the chairmanship of the Honourable Mr. Dunning, I might say that I had the honour of attending that conference. There were matters which came up at that conference upon which there were quite serious differences of opinion, in reference to the construction of the Act and in the manner in which it was to be carried out in the several provinces. However, everything was settled and a decision was arrived at, as I say in the brief. The delegates simply sat around the table and discussed these different points, which is what I have in mind in reference to the constant contact by this agency of the federal relations branch of the governments. The Honourable Premier has suggested a conference, yearly. I would like to say a few words on that point now, in case I should have not covered it completely in the brief.

The idea of this permanent body which we say, should be composed of those representatives from the different provinces and the Dominion, is that it will have something with which to work. We should have conferences every year or every two years as the necessities of the case may require, but when the provincial government's representatives go to Ottawa, they will have something before

them with which to work; this committee will have prepared detailed statements covering the different claims which are going to be put forward, and be able to advise the conference as to the details. This would put the conference in a position which would enable it to arrive at a decision. Now, you have a Dominion-Provincial Conference and the representatives come to Ottawa--I am not speaking of any particular province--and as the representatives are busy men, all of them, and they sit a few days to consider the matter. If this thing were boiled down in the first place and an agenda prepared, much of the representative work would be eliminated.

Continuing to quote:

"The experience is that by closer cooperation and association much can be done to reconcile conflicting views. There has been too much 'arms length' procedure in Dominion-Provincial Relations."

I was just about to make a short remark, but perhaps I should not. You gentlemen have just been in the province of Quebec. Now, personally, I am not speaking for the government, it does seem to me that if there had been some contact before the appointment of this commission, with the provinces, and universal consent obtained, I think it would have been a good way to approach the matter. I think it might have worked out more satisfactorily.

THE ACTING CHAIRMAN: You will admit, of course, it is not up to us to discuss that question.

HON. MR. JONES: Yes, and perhaps it is not up to me, either.

THE ACTING CHAIRMAN: I did not mean to say that, but so far as we are concerned, I do not think we could answer the point which you are raising.

COMMISSIONER MacKAY: Mr. Jones, one criticism sometimes made of the old age pensions scheme is that there is not enough financial interest on the part of the province to keep the pensions down. To put it in another way, the province has not sufficient interest in keeping the total expenditure down, consequently people are put on the old age pension list, who, perhaps, should not be there. I am not speaking of any province particularly, in that respect, but it is a general suggestion and I was wondering if the province had a larger financial interest in old age pensions, say 50 per cent, of the total bill of old age pensions, would it be more interested in keeping down expenditures?

HON. MR. JONES: Originally, it was 50 per cent.

COMMISSIONER MacKAY: Have you any opinion on that point?

HON. MR. JONES: Of course, mistakes will occur in any administration; they are bound to. So far as New Brunswick is concerned, I can assure you that the government has been very careful and has strictly observed the provisions of the Act. Our financial outlay was quite burdensome to the province, it meant a lot to the province. While we have every sympathy and every regard for the old people, it meant a great deal to this province to pay the 25 per cent when it did not have the money to pay it.

COMMISSIONER MacKAY: Do not misunderstand me, I was not speaking of any province in particular. My remarks were not made in any spirit of criticism of the province of New Brunswick. What I was trying to do was to raise the general question, do you think any scheme whereby the Dominion contributes so much to the carrying out of a provincial objective, gives adequate

protection to the Dominion?

HON. MR. JONES: Yes, I would think so. I would think every province would be sufficiently interested if it had to pay 25 per cent of it. It may be that some provinces are not prepared to pay more and some, in fact, feel that the Dominion should pay 90 per cent. I quite appreciate that that would raise the question to which you have referred. It may be that the Dominion should have greater control over the actual amounts granted, which is an authority exercised by the local administration.

COMMISSIONER DAFOE: By what machinery do you decide whether a person is entitled to an old age pension?

HON. MR. JONES: By the machinery given under the Act and the regulations. Those regulations are made by the Dominion government. The amended regulations were made in 1932 and the Act was passed in 1927 or 1928. The regulations have been amended from time to time. This conference to which I referred had regulations before it and made some changes in those regulations. The boards in the several provinces must adhere strictly to the Act and to those regulations.

COMMISSIONER DAFOE: You have a provincial board here?

HON. MR. JONES: Yes, we have a provincial board in the province under the Act and regulations. We have forms upon which applications may be made for old age pensions. Then, our inspectors are sent out; we have local inspectors in the different parts of the province who are acting under general investigators. These local inspectors visit the applicant personally and have these forms completed. These forms are supposed to contain full information, first, concerning nationality, residence, age and financial matters. We take authority to examine

bank accounts. These reports are then sent in to us along with the application which was filled out, as well as the report of the inspectors. It is upon this that the board bases its decision. The board has this analysed and the report of the person who analyses it is made to the board and attached to the form. Then, if any question as to the possibility of fraud comes up, if there is any indication that misstatements have been made, a further inquiry is made. Then, the board also requires inspectors to interview three disinterested people of standing in the community, and in his special report indicates these peoples' views with reference to the matter. In this way, the board should have the complete information. Every year, the board requires the applicant--I might say that I am connected with the board--to make an annual statement on a form. This enables us to check up with the original application and a new analyses is made to see whether changing conditions warrant a reduction of the pension or a cancellation. There are also application forms for an increase in pension by an applicant who believes that he has not been fairly treated. These claims are investigated as well. The board sends its special investigator out to investigate the application for the increase in the pension and very often increases are made. However, very often we discover some people who should not have been granted a pension in the first place. In this case we cancel the pension.

If this is not done in some provinces, I can quite understand the remark which has been made that the province might not have an interest in keeping expenditures down.

COMMISSIONER DAFOE: In some provinces the authority is with the municipality which also makes a contribution

of $12\frac{1}{2}$ per cent.

HON. MR. JONES: I think that applies in Ontario, does it not?

COMMISSIONER DAFOE: It has been changed to the county council which passes upon the applications within the county.

HON. MR. JONES: That is a very large province and that might be necessary, but there is only one board here. Where some of the other provinces would regard the 25 per cent by the province as nothing, some of these provinces will try to get even more, I suppose. It is like everything else, it ought to be administered according to the law.

Continuing to quote:

"The contributions reach the people directly. There is no possibility of the money being used for other purposes. In grants of lump sums to the provinces there is always the danger that, even though the money is earmarked, it may be used by reason of financial exigency for unauthorized purposes.

Our submission is that any necessary assistance to the provinces in respect of the special matters referred to and others as may appear necessary to be dealt with be afforded as nearly as may be practicable on the same principle and in the same manner as that which applies in the case of old age pensions and pensions for the blind."

Now, while the Dominion is not supposed to have control over the actual amount of the pension granted we have known cases here where something occurs and the Auditor General says so and so, that this file of papers does not authorize the granting of a pension to that man, and they simply will not make the payment, or if they find the proof of age or the proof of responsibility or the proof of nationality is not sufficient they will refuse to pay that particular item.

"The plan does not involve any encroachment by the Dominion on provincial rights. It simply enables the Dominion to know that the money it contributes is expended as authorized.

In a later part of the brief we refer again to the question of fiscal need, but we wish to emphasize here that under the plan we suggest there is not only the fiscal need of the province to be considered, but it is the need of the individual. In old age pensions the relief has gone directly to the individual - the needy individual. Our suggestion is to apply the same system to the needs of the individual, so far as it can be reasonably worked out, and we base our plan upon those two considerations, first, the fiscal need of the Province and, second, the need of the individual in the Province. As above stated it may be difficult to apply the proposed assistance directly to the individual as in the case of old age pensions, but it can be applied, in connection with health matters, care of the insane, agricultural and technical education and many other social services quite immediately to the individual.

It may be alleged that Dominion administration

"would be more efficient. We doubt that. The history of the Dominion discloses that there has been no less recklessness and improvidence in administration than has prevailed in the provinces.

It is said that the authority expending money should be charged with the responsibility of collecting it. This may or may not be true in general, but it would not apply here."

MR. STEWART: Mr. Jones, will you indicate why, if this principle were true in general, it would not apply with particular force to the situation as existing as between the Dominion and the provinces? I should think if the principle had application at all it would apply just there, would it not?

HON. MR. JONES: I am not quite sure that I understand. I think it does apply with very great force.

MR. STEWART: But the expending authority should be the collecting authority?

HON. MR. JONES: I think it does not apply there, because there are two authorities expending the money, and of course that involves the question that was asked a few moments ago. There are two authorities expending the money, that is the reason it does not apply. If the Dominion contributed the whole part and the province had the right to expend it, then I think that principle would apply, but if we are contributing a large enough amount to make us feel the burden of it, then I think that that principle would not apply because there are two authorities concerned in the expenditure of the money and the province is sharing to such an extent that it feels an interest in the expenditure.

MR. STEWART: In the administration of old age pensions

the Dominion has no administration duty, it merely has an auditing and checking duty.

HON. MR. JONES: That is all, it has no administrative duty. As I indicated, the pensions are granted along the lines I suggested, and the Dominion has the auditing and has, as a matter of practice, a good deal to say about each pension. We have not only the Auditor General of Canada but we have the Auditors of the Minister of Finance, both acting separately and distinctly but visiting us, and we do not know at what time. I may say that both auditors, so far as our experience extends, have assisted us and have discussed matters with us, and we have modified our system in certain particulars in order to make it agreeable to them, that it could be done under the regulations. So that we, of course, take care to satisfy them that the Act is being administered properly. Whether that is done in other provinces I do not know.

MR. STEWART: I suppose that the joint interest of the Dominion and province involves a great deal extra expenditure in administration because the Dominion must check and audit,-- I believe they check and audit twice?

HON. MR. JONES: The Minister of Finance checks it up from his standpoint and the Auditor General checks it up from his standpoint, and then the province has a constant audit in the office in respect to every cheque that is issued.

MR. STEWART: The three audits, or at least two audits, would not be necessary if the matter were solely within the jurisdiction of either the province or the Dominion, would it?

HON. MR. JONES: Well, I am not sure, just how the Dominion would do that. Yes, there might only be the audit by the

Auditor General, I am not sure. I think the expenses of the audits amount to something, but as far as the provincial audit is concerned that is at the expense of the province the same as the administration. There might be a saving in that way, but I will have occasion to refer later to some suggestions about the Dominion administration.

"The Province, in making grants for pensions, is spending its own money as well as that of the Dominion. The Dominion has supervision over every expenditure. There are the two authorities operating which makes for economy and efficiency. It has been found in practice by large business firms with many branches that it is wise to have administration by people having local knowledge at the branches, with supervision by the central office. "

MR. STEWART : Mr. Jones, you say "The two authorities operating which makes for economy and efficiency". I would be inclined to question the economy end of it, although I may agree with the efficiency?

MR. JONES: Well, it might be questionable, but after all, if it were all in the Dominion, we all know that officials at Ottawa are multiplied and multiplied all the time until - well, I was going to say they are stumbling over each other, but I will not use that expression. The Dominion supervision of any of these services is not always to be regarded as economical. There seems to be, when it is a large matter that involves so much more machinery and set-up,-the province has a Board here and of course it operates at a certain expense,-but if the Dominion were to administer it they would need a set-up in each province or perhaps more than one in the larger provinces, something like our Board. They have to have a local branch, they must

have a local branch, surely they cannot run that whole thing from Ottawa. So that I doubt very much whether it would not make for economy, - I say so anyway. It is a matter for consideration.

"There is always a tendency, when the business is managed from a distance for the head office to be influenced too much by the conditions close at hand and by the business in those sections where the larger operation of the trade is carried on. There is necessity for direct contact with the people of the outlying districts and this can be established through a local administration.

In further support of our submission we quote the following statements contained in 'The Principles and Problems of Federal Finance' by B.P. Adarkar, Professor of Economics, Benares Hindu University, with a foreword by Sir Cecil H. Kisch, K.C.I.E., C.B."

This was taken from an article by our British Columbia friend, Dr. Carrothers, published in the Canadian Journal of Economics, but I have Professor Adarkar's book here so that it could be referred to. He says this:

"When the world returns once again to a mood of sanity, the first lesson that it will have to learn will be that inferior political entities, like the states and local bodies, are more suitable agencies for carrying out the peaceful activities of social welfare and that though administrative co-ordination is an essential element in the matter, finance must be more and more decentralized in order that the aims of human progress may be achieved.

Then speaking of subsidy payments:

"They have some value as stop-gaps during a transitional stage in the first days of federation but as a permanent arrangement are entirely unsuitable.

The most distinctive feature of this method is that the payments are made for specific purposes." And that is what I say in regard to old age pensions, the principles that ought to apply.

"And subject to the condition that the function concerned is efficiently discharged generally under the supervision and control of federal administrative machinery. If inefficiency is proved, the grants may be withdrawn. A liberal use of the method of subventions may be used as one of the principal ways to secure equalization of conditions between states and localities."

Now, to depart for a moment from the brief, I have no doubt that the attention of the Commission has been called to all the authorities who have expressed views respecting the adjustment of financial relations between the Dominion and the provinces, and that it may be mere repetition to refer to opinions of economists. After all, they are merely opinions of individuals and perhaps those individuals are not in as good a position to express an opinion as are the members of this Commission. We know that the majority of the gentlemen present who compose the Commission are themselves well recognized authorities upon these very questions, I think I am safe in saying that, So that it is with a great deal of diffidence that I quote the opinions of the other economists. But I want to refer again to the remarks of Professor Adarkar, because he seems to have made statements which are so apt, to illustrate the particular

question which I am now submitting, on page 128 of his book, while I know that the members of this Commission are familiar with these authorities, and also with Professor Maxwell's book to which I will refer presently, I would like to have it in the record, more particularly as his Lordship is not here. If it were just a matter between you gentlemen and the province I am sure it would not be necessary to refer to these opinions, because no doubt you have opinions of your own which are fully as valuable as those that are put forward. However, on page 128 of Professor Adarkar's book which I have here, he is referring to the Dominion of Canada and the alternative proposed by Mr. Neil Jacob, of the assumption by the Dominion Government of the whole financial burden of old age pensions, technical education, employment bureaus and unemployment relief, which at the present time is borne only partially by the Dominion by means of subventions, is also worth consideration. It must, however, be remembered that the scope for such assumption is limited and that the provinces and local bodies, which come into closer contact with the people than the Federal Government, are better fitted than the latter for the discharge of social and developmental functions of the "State". It is to them that these must be primarily assigned.

Then on page 116 to 117:

"In almost all the cases, the subventions have been subject to supervision and inspection of the Dominion Government, and the various matters to which the subventions refer are administered by the Provinces in close co-operation with the appropriate departments of the Dominion Government. In general this conditional subvention system has worked well."

That is not only an opinion, but I suppose more or less a statement of fact by a man who has evidently studied the question.

"But objection has been properly taken to the Dominion Government's policy of not maintaining continuity in regard to subventions once granted. As a result of the uncertainty, the Provinces have on occasions been left high and dry and have had to shoulder the burdens of expenditures initially encouraged by the subventions."

Further references will be made in connection with highways and technical education and agriculture, but the grants were made by the Dominion for ten years, and the provinces were encouraged and did go on with considerable expenditure to establish a certain system relying, no doubt, as provinces do, that even though a grant is made for ten years the idea is no doubt it will be continued. In any event, the provinces were encouraged, and that is what the Professor referred to. Now as I say, this is more for the purpose of putting it on the record; you gentlemen are familiar, no doubt, with Professor Maxwell, but for the purpose of the record I would like to say that he is an authority nearer home, an Associate Professor of Economics at Clark University. This book was published in 1937, and is entitled "Federal Subsidies to the Provincial Governments in Canada". On page 244, after speaking of administration, he says this:

"Certainly there is a possible means of achieving this combination (that is, Dominion control over provincial expenditures) which merits serious consideration. This is that the federal government improve, extend, and integrate its system of condit-

"ional subsidies. In this way a step could be taken which would be in accord with the federal nature of Canada and the immediate needs of the poorer provinces, and which would, besides, be more expeditious and less irrevocable than amendment of the constitution."

The meaning evidently being, as I say, that if this thing is done, if grants-in-aid are made, they can be almost immediately amended, cancelled, stopped or continued. Then at page 253 Professor Maxwell says:

"The superiority of conditional over unconditional subsidies - of grants-in-aid over better terms - has already been noticed. A long experience with unconditional subsidies in many countries has disclosed no redeeming feature, and condemnation of them by students of public finance is general. Conditional subsidies, on the other hand, have accomplishments to their credit, and competent students believe them capable of extended use. The two types have, however, the common feature that money raised by one government is handed over to another government to spend. It should be realized that this similarity is much less significant than certain basic differences.

The major difference between a conditional and an unconditional subsidy - from which other differences derive - is that by the former the government makes the grant subject to conditions, while by the latter it does not. By a conditional subsidy the government which makes the grant asserts its control both by specifying the purposes for which it will give

"assistance and by reaching after the money to see that it is properly spent. Unconditional grants, however, are made without strings; there is a complete severance between responsibility and control. Of course, money may be and is wasted, regardless of the mode of expenditure. But the chances of waste are much greater under unconditional subsidies, because the spending government owes no responsibility to the government from which the subsidies have come, and its responsibility to its electors is tenuous because it has not raised the money from them by revenue measures of its own.

The fact that conditional subsidies are given for specific purposes is of great importance."

I would like to note how close that is to our proposition,

"In Canada certain provinces have asked for larger unconditional subsidies - better terms - on the grounds of poverty. They assert their inability to provide their people with vital services. Unfortunately, the grant of better terms may not bring about the provision of these services. Provincial governments spend such subsidies as they please, and it has happened that services which, on national grounds, ought to be provided, have been slighted. If the Dominion desires certain services to be developed, with common standards in all the provinces, and if these services cannot be handled by direct expenditure through its own officers, it ought to give conditional and not unconditional subsidies to the provincial governments."

Then to conclude these quotations, on page 256 Maxwell, in speaking of the difficulties says:

"The wisest way to meet many of the difficulties which arise is to supplement the financial resources of the governments which are in need. (Which really is a statement that fiscal need, necessity, is the principle which should be regarded.) If, for example, the provincial governments have a plethora of functions and a paucity of financial resources, the grant of conditional subsidies will provide a safe and effective remedy for the immediate difficulties and may point the way to a more enduring solution. That this scheme may be criticized as circuitous must be admitted. But some circuitousness is inevitable in federalism."

I must apologize for inflicting so much upon you gentlemen. As I say, you are all perfectly familiar with it, but I would like to have it on the record because, after all, it is a most important feature of our suggestions. On page 247 - Professor Maxwell, of course, is speaking all the time in reference to Canada:-

"If the federal government decides to assist or to encourage the provincial governments in the performance of an activity, not only should the activity be chosen with care - - "

To pause there for a moment, take the question of the prevention and treatment of tuberculosis and other diseases, an activity in which the provinces need assistance, this province in particular, because both the province and the municipalities have gone far beyond their resources and even then have not been able to successfully cope with that very serious situation.

"But it should be carefully defined and the system of supervision should be thoroughly prepared. In

"some cases precision in definition of and regulations about the activity will be impossible at the outset; and certainly in most cases there must be some flexibility in the application of regulations to the different provinces. But variation ought to be the exception and not the rule, because a major purpose of grants-in-aid is 'to insure comparable standards of social service throughout the Dominion, so that those provinces in an inferior financial position may not suffer.' In all cases a strong federal supervision is vital; and in the infrequent instances where variation in provincial performance is permitted, the federal officials ought to act with their eyes open and with a knowledge of consequences."

He expresses the thought there that runs through our brief, and that is, that the people living in every province should have the right to live and should have the same comforts, - that is, relatively the same comforts as people in what might be called the wealthier provinces, and that they should be looked after. And if the province is not reasonably able to furnish them in a federal system such as we have, it is a matter for the nation to take hold of and straighten out.

MR. STEWART: In effect, Mr. Jones, that really means that under your submission the citizens of the wealthier provinces should, through their contribution to the Federal Treasury, make up the equality or comparable services in the less wealthy provinces.

HON. MR. JONES: Yes, that is the theory we are advocating, and we say along that line that they had better do it, as nothing encourages propaganda chosen to upset

civilization as much as a dissatisfied people. The peoples of Europe realized it. Take the French revolution, for instance; a few people, the aristocrats, owned all the money and all the property, and they had not sense enough to see that the impoverished people could not stand it, - could not stand seeing them driving their horses through the streets and running over children and then blaming the populace for allowing their brats to run in the streets. Owen Young, a member of the Morgan Banking firm laid this down to the wealthy people of Boston some few years ago in blunt terms, cautioning the people that some measures ought to be taken, because if they were not taken, if steps were not taken to satisfy or to reasonably prevent starvation of a man who could not make a living for himself and his people - there is danger in any country, more danger in Europe, of course, than in this country - but there is danger in every country that if we do not part with part of the wealth all the wealth may be swept away and we may lose our head as well. People do not see that, people do not like to part with wealth, and as Professor Adarkar says later in this book "the larger provinces usually grumble".

Now, although I do not want to criticize any other province at this stage, I notice that in one large province the point is taken that there should be local administration of all these affairs, and that certain means of taxation should be left to the province, which had been invaded by the Dominion Government. There is no suggestion, however, that there should be a contribution by the wealthier provinces to the other provinces. In a self contained province with plenty of manufacturing and plenty of resources and plenty of wealth, where they have the taxation facilities,-

income tax and that sort of thing, they are sufficient unto themselves and they would be quite satisfied and no doubt are quite satisfied that that condition should continue. But as I say, in a Federal system our point is that the strong should help the weak, and I think you cannot carry out the Federal system unless that principal is recognized.

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COMMISSIONER DAFOE: Do you not think, Mr. Jones, that it confuses the issue to state the case as a transference of wealth from a richer province to a poorer province? Is it not in effect the transference, through the governmental machinery, of wealth from the richer citizens of the Dominion to the poorer citizens of the Dominion?

HON. MR. JONES: Yes. I think perhaps that is a better statement of it. That is, of course, in effect what it would be when carried out. That is, the tax, take the income tax or any other tax, it would be requiring the wealthy people to loosen up individually, as you say.

COMMISSIONER DAFOE: As Dominion citizens.

HON. MR. JONES: As Dominion citizens, to loosen up individually. That is what it means, of course. When I said the wealthy province, I meant to refer more particularly to the rich and poor, and the example I cited about what Owen Young said as to the danger, of course, meant that the rich people ought to contribute more for their own salvation.

That is the end of my references to Maxwell, at the moment.

COMMISSIONER ANGUS: At the time when the unconditional subsidies constituted a very large part of the revenue of the provinces, sometimes more than 50 per cent, do you think that that reflected itself in bad government? Do you think it was an unsound system?

HON. MR. JONES: I would not like to say, because there are so many provinces, I am not familiar with the government there. Of course, this government, as you know, has always been perfect, practically.

COMMISSIONER ANGUS: It was able to resist that particular strain of having more than half its revenue from that source.

HON. MR. JONES: Well, regarding these authorities, it

seems that the system of unconditional subsidy has not worked well and has not given rise to economical administration. One would gather that from the general authorities cited.

COMMISSIONER ANGUS: Do you think that was so in Canadian experience with the original subsidies?

HON. MR. JONES: That is a pretty hard question to answer. Of course I could not express any view of the Government.

COMMISSIONER ANGUS: I put it differently: Is it part of your case that they should be terminated?

HON. MR. JONES: Yes, it is a part of our case that they should be terminated. You mean the ones that are already granted?

COMMISSIONER ANGUS: Yes.

HON. MR. JONES: No, I do not say that.

COMMISSIONER ANGUS: I mean I am taking Professor Adarkar's words:

"They have some value as stop-gaps during a transitional stage in the first days of federation but as a permanent arrangement are entirely unsuitable".

HON. MR. JONES: Of course, if conditional subsidies were placed in their stead, so the province would have the amount under any different system ---

COMMISSIONER ANGUS: You would like to see them replaced by conditional subsidies.

HON. MR. JONES: I am not prepared to answer that question for the province but my own view is it would be quite immaterial as to whether that were done and the deficiency made up in conditional subsidies or whether they be continued.

COMMISSIONER ANGUS: Is there not this point, that

when the payment is unconditional the provincial legislature has the responsibility of deciding what is the most urgent need of the people? If the payment is conditional you might conceivably get a grant for technical education when what you most wanted was a grant for dealing with tuberculosis. Or you might get a grant for old-age pensions when the need that was greatest was for education, and so on. Now, is it better to take that freedom of choice, as it were, away from the province or is it better to leave the province that responsibility?

HON. MR. JONES: What I would say about that is this: That all these grants in aid, conditional subsidies, would be the result of negotiations between the province and the Dominion.

COMMISSIONER ANGUS: If that were done one province might find its greatest need was help in dealing with tuberculosis. Another might think its greatest need lay in help in dealing with education, for instance, technical education. Now, would this system of conditional subsidies lend itself to the recognition of the choice of each province to its greatest need?

HON. MR. JONES: Yes, it would be the subject of negotiation between the Dominion and the provinces and the provinces would be used differently. For instance, there might be no necessity in New Brunswick for certain lines of activity, that we might be all right along certain lines. In some other province that might be a very vital thing they want assistance in. It would have to be done with each province. There could not be a general grant-in-aid for a certain activity applying all through the Dominion. That is our position, that if we have a need, it may be peculiar to New Brunswick,

and therefore would have to be dealt with by this conditional subsidy, and this board that I speak of, of course, would have all the details as to that, but that this conditional system would work out for certain needs in one province, and not necessarily for the same needs, the same service, in another province. I think it would have to clearly be for each province.

COMMISSIONER ANGUS: Thank you.

HON. MR. JONES: "It seems to us to be most desirable that the additional allowances"

We speak of "additional allowances"; we want to keep what we have got now, ----"to be made in respect to

any of the special matters above referred to should reach the people of the Province as directly as possible. The people have endured the burden of providing for these matters. They have been taxed beyond the limit of endurance for the treatment and prevention of tuberculosis, for the maintenance of the insane, for the destitute within the several municipalities and for the support of the country schools. They have been handicapped in life through the lack of the facilities for technical and agricultural education which are afforded to those residing in other provinces.

The present situation in Canada is largely the result of the changed attitude in the majority of the people toward those less fortunate and to the constant improvements in living conditions now regarded as necessities.

These constitute the basic elements that account for the recurring deficits in provincial administrations.

At the time of Confederation no provision was made to meet a situation of this character.

It was not then ~~fore~~seen that such conditions would arise. There will be a continuous improvement provided in future in the living conditions of the needy. It has become a national question."

When I say "there will be a continuous improvement", I mean that there must be an improvement. If it were possible for you gentlemen to visit some parts of this province you would realize how necessary it is that something should be done, that is beyond the power of the province or the municipality to deal with. The way people are living, and the way they have to live, in some back districts in this province is most distressful and it would be, I am satisfied, a **surprise** to any gentleman, living in the centres of population, to see the conditions some of our people have to put up with and the disease. The municipalities are struggling with it, and it prevails, of course, these diseases prevail, much more generally in the districts of that kind than in the populous places or in the places where people have a chance to live and breath, live in the light. However, that is a matter that comes later.

"Some provinces, with their limited means of taxation, have not been able to meet these necessities and it is only reasonable that the Dominion with its large taxation powers should contribute a fair proportion of the money required for these purposes.

In matters of public health, the prevention and treatment of tuberculosis and cancer, care for the insane, hospitalization, and other like matters, in education, improvements of the means of transportation by the construction of hard-surfaced roads, in old age pensions, pensions for

the blind, mothers' allowances, child welfare and other social services, these conditions are most pronounced. No person can well say that any of these services should be curtailed. That they will be continued and enlarged upon as time passes is without question.

The advantages of the plan may be summarized: -

First: No amendment to the British North America Act is required.

Second: Any arrangement made between the Dominion and the Province can be readily modified at such time or times as conditions warrant.

Third: The remedy will be applied to the particular necessity.

Fourth: It would carry the money contributed more or less directly to the people and not to the Provincial Government.

Fifth: No dispute could arise because every payment is agreed upon beforehand.

Sixth: Economy will be assured by reason of the agreement between the two separate and **distinct** authorities as to each expenditure.

Seventh: The plan would involve a closer association between the representatives of the Dominion and those of the provinces."

To continue to read on page 7:

"Secretary of State For the Provinces"

I may say there was a secretary of state for two or three years after confederation. The second official in that capacity was the Honorable Joseph Howe, who went into the government of Sir John Macdonald after Confederation. He was the Nova Scotian statesman. He went into the Government of Sir John Macdonald after _

Confederation and he became president of the Council and secretary of State for the provinces. But they discontinued it in 1873 - only lasted for two or three years.

COMMISSIONER DAFOE: Was there any successor to Mr. Howe or did it disappear when he became lieutenant-governor of Nova Scotia?

HON. MR. JONES: There was a successor, yes. The first one was George Adams Archibald from the first of July, 1867. Yes, as the Minister reminds me, it was an original department of Confederation, amongst the first to be established, when they established their Departments. George Adams Archibald, July 1st, 1867, to April 30th, 1868. Joseph Howe, November 16th, 1869, to May 1st, 1873. Thomas Nicholson Gibbs June 14th, 1873 to July 1st, 1873, a very short term. So it was abolished in that year, 1873 by the Act of 1873, Dominion Act, Chapter 4, Section 14. It is not in the brief.

COMMISSIONER MacKAY: The original intention of that department seems to have been, Mr. Jones, that they should correspond with the lieutenant-governors of the provinces and direct them to some extent in the supervision of the provincial governments. There is a great deal of correspondence in existence, I may say, between the department of state and the provincial lieutenant-governors telling them what they should do in particular provincial matters. I do not suppose you wish it revived in that way, do you?

HON. MR. JONES: No. Evidently they thought that perhaps it was going a little beyond the requirements of the Constitution for the Dominion to instruct the governors, or the necessity for such a course might have ceased to exist. No, as I explained our suggestion is that this be a secretary of state for the provinces,

in the sense that it is a department of the Dominion Government dealing particularly and especially with the provinces and problems concerning the provinces and the Dominion, and not to communicate with the governor but to communicate with the representative in the province, the representative of the department of the Federal Secretary of State in the province, and that all the negotiations be between those officials.

COMMISSIONER DAFOE: It would only have the same name as previously, it would not have the same functions or the same objective?

HON. MR. JONES: That is just it exactly, doctor. Of course we are not particular what it is called. It may be called that or it may be called something else, but our plan is to try to bring the thing into co-operation. The business of a country, the business of a lot of outlying units that are joined in this union, to try to carry it on without constant association and consultation and conferences, I do not wonder that those questions have arisen. I think they never would have arisen if we had had this system established years ago. Just the same way it was done at the Conference held by Mr. Dunning. We met there around the table, Mr. Dunning knew what he wanted to bring up, he knew the difficulties that had been raised in several provinces, and everything worked out satisfactorily. Of course, as to the name, we are not wedded to the name, but that is the system.

"There was after Confederation a Department of Secretary of State for the Provinces. It was abandoned. It should have been continued and should be reinstated. For years there has been no close co-operation between the Dominion and the provinces. The Dominion has had its commissioners

at the capitals of foreign countries and in England but there is nothing of the kind as regards the provinces. The Dominion has not regarded the provinces as independent sovereign states. It has often forgotten that it was created by the provinces and that it exists by reason of the will of the provinces. It has too long adopted and followed out the wrong attitude in this regard and many of the difficulties that now confront the Confederation have arisen because of this attitude. Everything became centralized in Ontario and Quebec."

MR. STEWART: Just on that point, the suggestion that the Dominion was created by the provinces and that it exists by reason of the will of the provinces. You are referring there merely to the fact that it was the provincial conferences that induced the Imperial Government to pass the B.N.A. Act?

HON. MR. JONES: Yes, it was the fact that the provinces agreed that an act should be passed. Of course it is a very general expression. I mean the Act of British North America created the Dominion, and it is a very general expression, but that is what it means, that it was through the instrumentality of the provinces getting together and agreeing.

MR. STEWART: I understand the second part of the brief deals more specifically with this argument, and perhaps it would be well for me to leave that point until later.

HON. MR. JONES: Yes. It is quite a general expression. Of course it does not mean strictly, technically, what it says, because it was done through the instrumentality of the Imperial Government.

"This Department should be revived and there

should be in each province a department of the government respecting federal relations as there now is in New Brunswick."

THE ACTING CHAIRMAN: This is very interesting.

HON. MR. JONES: Federal relations?

THE ACTING CHAIRMAN: Yes. You say you are a department of the government respecting federal relations. Would you give us some details as to the work of that department?

HON. MR. JONES: Yes, we will supply that.

THE ACTING CHAIRMAN: Later on?

HON. MR. JONES: Yes, during this hearing. A general idea of the work that this department is doing.

THE ACTING CHAIRMAN: Thank you. Very good.

HON. MR. JONES: "It will be admitted by all who ... attended the Dunning Conference that it was the ideal method of arranging matters affecting the interests of all the parties not only in detail, but in principle. There has been too little regard for the benefits to be derived from conferences of that kind. The adoption of the plan which we suggest would have the effect of drawing closer together the men in authority in the provinces and in the Dominion. If the Dominion and the provinces are contributing to a plan of assistance to the provinces it must necessarily draw them together for an exchange of views and the consideration of mutual interests. That is what the Dunning Conference did for old age pensions. There is no reason why it could not be done in reference to all other matters which may arise. Any plan which will bring the different interests together around the table is ~~the~~ resolution of many difficulties."

"If there were these new departments of the several governments established a definite knowledge of any difference could readily be obtained.

It has been suggested in another province that a commission should be set up with power to determine and recommend with reference to grants to the provinces. We submit that under the scheme we propose such a commission would not be necessary. All of the facts from time to time would be available at Ottawa and to the several provincial governments through the Department of the Secretary of State for the provinces.

All of the provinces are desirous of making a success of Confederation. What would be said of a large business organization with many branches which endeavoured to carry on successfully without a close and constant association between its component parts?"

MR. STEWART: In your presentation a little earlier, you suggested that the ten ministers, the Dominion and the nine provincial ministers, should form a permanent body to deal with provincial grants?

HON. MR. JONES: Yes, that is the suggestion; and that it should be, not only for grants-in-aid, but everything that comes up. What we want, although we have a department of federal affairs and have had for some time, is to have a means of getting in touch with the Dominion government. If we wish to communicate with the Dominion government concerning a certain matter, we have to deal with an individual department. There is no method of contact, other than by communication with a certain department. Our government takes it up with that depart-

ment. Then, some other matter is taken up with another department. If this system were established, everything which had to do with provincial affairs would be taken up by this one board or department. Of course, I think it would be much superior to a Grants Commission, for several reasons. This would be a permanent Commission dealing with all matters, whereas a grants commission would deal with grants only. It looks to me as if a permanent grants commission would be a standing invitation to the provinces to try and get these grants, whereas, if this were a permanent commission, it may be able to settle other differences and it would not be a standing invitation to make application for further grants.

MR. STEWART: Then in the next paragraph, the first whole paragraph on page eight, am I to take it that you are suggesting that the relationship between the Dominion and the provinces is fairly analogous to the relations between a head office and branch offices?

HON. MR. JONES: That is what I suggested there.

MR. STEWART: You would not carry that branch office theory through to its logical conclusion, would you?

HON. MR. JONES: No, I quite appreciate the point you are making. It was just a suggestion, but we do not consider ourselves branches. I am very glad that you have made that suggestion. It is rather loose language which is used at that point.

COMMISSIONER MacKAY: Do you think, Mr. Jones, that such a scheme as you suggest would complicate things? I understand now, if the Department of Agriculture in the province wants to do business with the Department of Agriculture in Ottawa, there is direct correspondence between the two departments. Under your scheme, it would

be indirect; there would be correspondence between the provincial department of agriculture and the central board and between the Dominion Department of Agriculture and the central board, would there not?

HON. MR. JONES: No, not exactly, there would only have to be a suggestion to the department that this could be better handled by contact between the two departments of agriculture, at Ottawa, and in the province. So long as the ministers from the province agree, that might be done. There would be no hard and fast rule that everything must go through this commission, but at present, there is no particular rule which can be followed. Generally speaking, everything should be carried on through that commission. I quite understand that there might be cases where permission would be given for direct contact between two governments or two departments. There would have to be, of course, a record of the correspondence filed with the federal relations department so that the department would be constantly informed as to just what negotiations were being carried on.

I think it might be well, in view of Mr. Stewart's very wise suggestion for me to say that the reference in the paragraph on page eight to branches is not intended to intimate that the provinces are branches of the Dominion. It is more in the nature of a general policy statement. What we might say about it is that even in business transactions between a head office and branches, there are certain things which might prevail, even though this is not between branches, but between two separate and distinct units.

Continuing to quote:

"In the case of a province--"

It is understood, of course, that we are now putting forward, not so much the claims of New Brunswick, but we are venturing to suggest something. I understood the Commission was desirous, if a province had any suggestions to make as to what might be done in the future, that the province should make those suggestions. I understood the Commission invited these suggestions and it is simply a general suggestion which we are making. We are presuming to do that because we believe that we have been invited to do it.

THE ACTING CHAIRMAN: That is quite correct.

HON. MR. JONES: We do not want it thought that we have any special knowledge in the matter, but we are just putting this forward as a general proposition.

Quoting:

"In the case of a province which claims that unless assistance is provided it must make default in payment of its obligations a different treatment is necessary.

Neither the Dominion nor any of the provinces can afford to have a province make default. It is a blow at the credit of all the family.

Therefore the Dominion must come in. The Dominion will grant assistance by means of a loan or a guarantee upon the condition that it have control of some part of the provincial finances until such time as the advances are repaid.

Such a province must be helped through its government and not directly through the people. The distress of the government probably will have been due to the fact that it has provided too generously for the people rather than too in-

"adequately.

As to this we quote from the report of the White Commission at page 6:

"When any province is in such a necessitous condition, with its own credit exhausted, it is, of course, proper for the Dominion government, if it deems the maintenance of provincial credit to be of national importance, to come to the aid of that province by way of a guarantee of its temporary borrowings or of a direct loan to be repaid with interest as soon as, by reason of improved conditions, or of economies effected by the province, its credit has been restored and it is thus enabled to extricate itself from its financial difficulties."

MR. STEWART: Have you considered, in connection with this suggestion, the form in which the Dominion should have control over the finances of the province, in what form should that control be exercised?

HON. MR. JONES: I must say I would hardly be prepared to devise a plan at the moment, and I had not considered it before. This is a matter, I think, for those better acquainted with economics than I am. There ought to be some way that the question can be worked out. The Dominion could take charge of the revenue, that would be one way.

COMMISSIONER DAFOE: You do not suggest it would be possible for the Dominion government to step in and collect provincial revenues, do you?

HON. MR. JONES: What I mean is that it would be possible to do anything that the provinces and the Dominion would agree to do. The province must agree before aid is

rendered. Do you mean, would the Dominion have the power to collect?

COMMISSIONER DAFOE: The Dominion would have a fairly lively time trying to do it. In Australia, there is a provision by which, under certain circumstances, the federal government can intervene, but that is the result of a special agreement to which all the states agreed.

HON. MR. JONES: There may be such an agreement here. In some form or other, it ought to be possible to work out a system whereby the Dominion would have certain provincial revenues which would be earmarked for the Dominion. The Dominion could have its auditors in the province and see that it is getting the tax. It may take a certain tax which the province imposes and take precautions to see that the tax is put in a trust fund for this province. As soon as that indebtedness is taken care of, then the tax could be restored to the province.

COMMISSIONER DAFOE: Would not the simplest thing be to charge the interest against the Dominion subsidy?

HON. MR. JONES: That might be a very good way to work it out. At any rate, I think it must be quite plain that no matter how reckless a province has been, the rest of us must try to look after it as we cannot afford to have it default.

COMMISSIONER DAFOE: That is, if it is in a cooperative mood?

HON. MR. JONES: Of course, if it is not, then everything has to go, but I think it would generally be found to be amenable if it thought it was going to get some money.

COMMISSIONER MacKAY: Supposing a province is in the frame of mind where it does not want to pay its debts?

HON. MR. JONES: I hope we have not any members of our Confederation who would be as unreasonable as that.

MR. STEWART: I understand, Mr. Jones, you are not suggesting any constitutional change in order to give effect to these suggestions of yours? It is merely an agreement which would expedite the province and Dominion getting together and agreeing on some measure of financial control, is it not?

HON. MR. JONES: Yes, that is correct.

MR. STEWART: Would that be agreement between the Dominion and all the provinces or between the Dominion and a particular province?

HON. MR. JONES: Between the Dominion and one province would be sufficient. One of the western provinces has already received a relatively large advance in connection with relief. I am not sure what, if any, provisions have been made by the Dominion to ensure repayment, but I take it that there have been provisions made. Having the power to make this advance without the consent of the provinces, surely it would have the power to get it back. If it has the power to advance money to the provinces, surely it has the power to make arrangements whereby the money would be repaid.

MR. STEWART: Commissioner Dafoe referred to a method of collection which might be effective.

HON. MR. JONES: That might be a very effective means, unless the province had already mortgaged the subsidy, although, I do not suppose that it could do that. It may be taken out of that subsidy gradually. The province would have to economize in other respects in order to work out the difficulties; I think that might be a very good way.

I have just read from the White Commission Report, along that line and the next heading on page nine of the brief is, "Administration by the Dominion".

"It has been put forward that certain of these public services and the jurisdiction with respect thereto should be wholly transferred to Dominion control. We have already quoted Professor Adarkar.

This would involve amendments to the Constitution.

At Confederation the provinces retained certain rights, privileges and jurisdictions which were then regarded as fair and reasonable. At the present time, under changed conditions, it may appear that some of these special matters could be better dealt with by the Dominion. The conditions however may again change.

It must not be understood that the province of New Brunswick is opposed to changes in the Constitution in cases where such changes may be absolutely necessary but, in respect to changes, great care should be exercised before a provincial government in 1938 should take the responsibility of relinquishing control for all time of powers which were guaranteed by Confederation.

We have to consider that in time to come changing conditions may make it advisable for the province to invoke powers which, at the present time, may appear to be of no importance to the provincial system and we should guard against the possibility of it being said that a provincial government assumed the power and discretion of determining

"what might or might not be essential in the development of our Confederation system."

(Page 8555 follows)

MR. STEWART: It was suggested in another province that an arrangement might be made whereby the province could concede to the Dominion not only for all time but also temporarily, for such purposes as might be agreed upon, any of the powers committed to it under the British North America Act, and that they could revoke that transfer at the expiration of the period agreed upon.

HON. MR. JONES: Without amending the Constitution?

MR. STEWART: No, it would require a constitutional amendment to enable them to transfer the powers, but it was suggested that that constitutional amendment might be a very ready method of improving conditions from time to time without the province giving up for all time the particular power.

HON. MR. JONES: Then of course when conditions changed there would have to be another amendment giving it back.

MR. STEWART: No, under the proposal that would not require a constitutional amendment, to hand it back. Have you thought of the value of that suggestion?

HON. MR. JONES: Well, except to think that it is not exactly workable.

MR. STEWART: You thought it was not feasible?

HON. MR. J.B. MacNAIR: Was the suggestion, Mr. Stewart, that the provinces would have to act collectively to bring about such a change in the Constitution?

MR. STEWART: No. As a matter of fact, it was suggested in the Nova Scotia brief that there should be such an amendment to the Constitution as to enable any province or any number of provinces to hand over to the Dominion legislature jurisdiction either absolutely or for a limited period, and pledge the Dominion to hand over to one or more provinces, power to legislate on any particular matter.

HON. MR. JONES: I have not considered that. I was trying to avoid the necessity of making any amendment to the Constitution, if possible.

"Any amendment to the British North America Act involves much negotiation, delay and difficulty. Then, when it is made, the intention is not always secured. There probably has never been an important Act of Parliament which has not given rise to litigation. When the Act of British North America was passed it was no doubt thought to provide plainly for what was present in the minds of its framers, but scores of cases have been before the courts involving the construction of its provisions. Why have we any right to assume that the amendment would not give rise to controversy? Supposing some of these matters were passed over to the Dominion, have we any assurance that the administration would bring about the desired result? The policies of the Dominion Government from time to time have had the effect of centralizing industry and wealth in the provinces of Ontario and Quebec. Is there any guarantee that future activities of the Dominion would result any less unfavourably in the outlying provinces?"

There is the thought here, perhaps unjustly, in the minds of the people of the Maritime provinces, the outlying provinces, that the policies of the Dominion - and I am not speaking of any particular party - the policies of the Dominion have had an adverse effect upon the interests of these provinces, and there is a disposition to retain all the powers and privileges that we have now, because in the

light of experience in the past we think that perhaps that same situation will be carried out. There are many instances that might be referred to where we think that more attention has been paid to the interests of the upper provinces than to our people here, and that is another reason why we think we ought to be very careful about any amendments to the constitution which, after all, is our guarantee and something that we ought to have a right to rely upon. I respectfully refer to the matter of Fisheries later, and perhaps it might be well to mention it as one instance here. The Treaty of Washington was made in 1879, and an award was made called the Halifax Award. The money was paid to Great Britain in respect to the Fisheries on the Atlantic Coast, and Great Britain sent \$1,000,000. to Newfoundland as its share of the Award, and paid for the privileges that the Maritimes were losing, and the balance of \$4,500,000. was sent to the Dominion Government, although the Fisheries were provincial property. I expect to cite some authorities to show why, but in the Dominion Parliament they simply decided that as under the Act of Confederation they were charged with the duty of protecting the Fisheries and had been protecting them since Confederation, and also asserting that the property in the Fisheries were in the Dominion after Confederation, they, without refusing to submit it to the Courts at all, decided they would keep the money. We never got our share, and even though the Privy Council in 1898 decided that the property in the Fisheries was in the province we did not get it. Now, we think we have an actual grievance there, and I want to elaborate that a little later on. There are occasions like that where they have just arbitrarily, we say, - and there is reference

in the debates which took place in the House of Commons at the time, in 1882, where it was intimated that the Treasury was very much in need of that money and they put it there instead of sending it to the province. However, I will elaborate on that later. There are many instances which perhaps, without any justification, have induced us to look with a degree of care at these questions about the amendment of the Constitution.

MR. STEWART: At the bottom of page 9 and the top of page 10, Mr. Jones, you state "The policies of the Dominion Government from time to time have had the effect of centralizing industry and wealth in the provinces of Ontario and Quebec." Is it your purpose to develop these arguments later?

HON. MR. JONES: Yes, I am going to develop them in connection with the tariff and freight rates; that comes up later.

COMMISSIONER MacKAY: With reference to the same paragraph, Mr. Jones, I might observe it is very refreshing to hear a leading member of the Bar object to litigation.

HON. MR. JONES: Yes, I know it places one in a very incongruous position.

MR. STEWART: You still have the right to your private views.

HON. MR. JONES: Yes, I am limited in expressing the views of the Government. Now we come to the heading of Fiscal Need.

"It is quite apparent from the record that the grants to the provinces have always been based upon the principle of fiscal need.

Sir Wilfred Laurier, then Premier of Canada, in 1907, stated in Parliament as follows:

"Why was the basis fixed in 1864 for the allotment of eighty cents? I have searched for the reason and the only one I can find is this, that a calculation was made by the Minister of Finance of the various provinces according to the statement by Colonel Grey, by Mr. Brown, by Dr. Tupper, by Sir Leonard Tilley, by Mr. Shay and others, and they came to the conclusion that this would be a fair basis upon which to meet the wants of the provinces. That was their judgment and in 1906 we took as a basis of judgment of the Ministers of the several provinces assembled with us, who told us that according to their experience this was the amount they needed in order to carry on their public affairs. They had no other basis than that."

Our submission is that increased grants to the provinces should be made upon the principle of fiscal need but we do not agree with the proposition that the same relative assistance should be necessarily granted to all the provinces. It disregards the fundamental principle underlying Confederation.

We agree that the principle of fiscal need must be applied to all of the provinces, but in the application of it, the fiscal need of each province should be considered separately."

In that connection I might interpose the remark that there may be a change in conditions; New Brunswick might be in need to-day to look after these social services and so on, and next year it might not be in need at all. For instance, if New Brunswick should receive compensation with respect to its claim under part 2 or under the Fisheries or under some special claim that we are setting up in this brief,

it would affect the question of fiscal need and might put us on our feet, or it might certainly have effect upon the question of fiscal need. But we say fiscal need now, principally because we have not been paid what the Dominion should have paid us and we have not had done what the Dominion should have done. However, that is the argument, that it might change from year to year and that each province must depend upon its own conditions as to that.

"If some of the provinces through the operation of the Confederation system, have been placed in such a position that they are able to provide reasonably for all the services which are held to be within their jurisdiction, they are not entitled to any further allowance upon the principle of fiscal need or otherwise, simply because some other provinces have become unable to provide for such services. The fiscal need of one province may be quite different from the fiscal need of another province."

This is from a speech by the Honourable John Hart, and it is now quoted as to what Sir Charles Tupper said:

"Sir Charles Tupper revealed the most interesting fact that the financial clauses of the British North America Act had never been designed, in their original form, to be permanent. It was distinctly understood at the Quebec Conference, he said, that the financial clauses as set out in the British North America Act were to be only temporary, - a means by which a quick agreement between the confederating provinces could be made - and that after Confederation had been accomplished it was intended to have provincial and federal Commissions set up

"to make an exhaustive inquiry into the needs of the provinces."

We have a good many authorities which could be cited in reference to this question of fiscal need.

"The Act of British North America was designed to accomplish the welfare of all the provinces. If, for example, the Province of New Brunswick with its limited taxation possibilities, is not able to provide for its people the same privileges which are enjoyed by those in other provinces, New Brunswick should be placed in such a position through assistance by the Dominion that living conditions be on a par with those obtaining elsewhere."

MR. STEWART: Mr. Jones, to what extent do you consider an equalization of privileges possible?

HON. MR. JONES: I suppose that it would be impossible to make them wholly, but my idea - and I am not speaking now for the Government, - my idea is that we ought to approach that as nearly as is reasonably practicable; for instance, a very fair, reasonable, moderate standard of life. There are certain parts of this province where it is impossible to provide schools, where it is impossible to provide any nursing or doctors for people, and we do not say we should be up to a remarkably high standard but there ought to be a reasonable life for every citizen and his family in Canada; there ought to be a reasonable way to live, if possible.

MR. STEWART: It is really a basic minimum you have in mind, rather than an equality, is it not?

HON. MR. JONES: No, it is not a basic minimum, exactly: it is a fair and reasonable standard having regard to conditions in other provinces. There may be one province

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where there is a high standard and perhaps we could not expect to reach that equality of high standard, but a fair, reasonable standard of life.

MR. STEWART: As a matter of fact, does New Brunswick, as between the people in different sections, bring about any such equality?

HON. MR. JONES: So far as we can, New Brunswick and the municipalities. We have one municipality in particular in the province where those conditions prevail, perhaps in more accentuated form, and it is very much in debt to the province and to the bondholders, to try to keep it up.

MR. STEWART: But the province has not endeavoured to equalize the standards of living in that particular district with say the standard of living in St. John City?

HON. MR. JONES: Well, of course, it is impossible to do that. I do not mean to say we give them the same houses but I think we ought to provide them with the same social services; we ought to provide them with the means of prevention of disease, venereal disease, tuberculosis, and cancer; we ought to provide them with the means of taking care of the feeble minded, and education, and all of those things. We do not say we ought to provide them with living conditions such as the better class of people have in cities, but everything comes down to what is reasonable. We want to be reasonable, and that depends upon circumstances in every case, - circumstances in every province, and in comparison with other provinces.

COMMISSIONER ANGUS: In other submissions we have had quite a sharp distinction drawn between a uniform standard of social services and a uniform standard of living. Is what you are asking for really a uniform standard of social

services?

HON. MR. JONES: Yes, that is what it is. Perhaps I inadvertently used the word "living" but it is a uniform standard of social service, that is what I really had in mind.

THE ACTING CHAIRMAN: Mr. Jones, will you kindly suspend the study of your submission until this afternoon, because I have a statement to make while the Honourable Mr. Dysart is here. I would like to make a statement and then put a question. You know that in many parts of Canada it has been suggested that certain provinces should be amalgamated, for instance, there should be only one prairie province instead of three, and that here there should be only one province instead of three. As a matter of fact, the first suggestion we received was from a person here in New Brunswick. Now, we put the question to the Honourable Mr. Macdonald, and to the Honourable Mr. Thane Campbell in Prince Edward Island. Will you kindly, Mr. Premier, study this question and give us the answer of your government before we arise here in Fredericton? We do not want your answer this morning, but when you are ready to make it. I think you know the answer given by the Premiers of Nova Scotia and Prince Edward Island. Will you allow me to leave the matter in your hands?

HON. MR. DYSART: Yes.

THE ACTING CHAIRMAN: Well then we will adjourn, to resume at 2.30 p.m.

AFTERNOON SESSION

The Commission resumed at 2:30 P.M.

THE ACTING CHAIRMAN: Are you ready Mr. Jones?

HON. MR. JONES: Yes, Mr. Chairman.

THE ACTING CHAIRMAN: May I suggest that you keep your seat?

HON. MR. JONES: Thank you very much. I think I will then, sir, for a short time.

THE ACTING CHAIRMAN: We were at page 11.

HON. MR. JONES: Yes, I finished the first paragraph, I think.

"The burden of providing further allowances to provinces where fiscal need is apparent and to no other provinces, would result in lightening the burden upon the Dominion Treasury. The condition which has arisen in Canada today is partly due to the fact that the wealth is centralized in one or two provinces and the future of the Dominion depends upon a proper adjustment of revenue, and the consideration of the resources of the one province as compared with other provinces. We do not advocate a redistribution of all the wealth in Canada but what we say is that, to the extent that allowances are necessary in some provinces, the burden should fall upon the provinces which have most profited by the operation of the Confederation system."

COMMISSIONER ANGUS: Does that simply mean the richest provinces or that it would have to be shown that the policies had actually helped to enrich certain provinces?

HON. MR. JONES: It would mean, as Dr. Dafoe suggested

this morning, that it would mean rather a tax upon the rich for the benefit of the poor?

COMMISSIONER ANGUS: Yes, I meant this: Suppose there were two rich provinces, suppose one had become so because of the tariff but the other had become so because of large, rich, natural resources, would you treat them both alike?

HON. MR. JONES. Yes, both alike, irrespective of how their wealth was developed.

"As a further illustration, the fiscal need of a province today may be quite different from the fiscal need of the same province five years hence. Readjustments from time to time in the allowance to be granted may be readily made through the offices of the proposed Department of State for the Provinces and the Departments of Federal Relations in the Provinces. As we have before stated, the officials of these departments will have a constant knowledge of conditions in every province and allowances will be granted only as they are needed. These permanent government agents will answer the same purpose as a Grants Commission which is advocated by some authorities. The Province may discover, as did the Province of Ontario, that there is an unexpected development of mineral wealth. If such a condition arose as regards one of the now lesser provinces fiscal need might no longer exist."

Perhaps I should have said smaller provinces instead of "lesser".

"The difficulties cannot be overcome by a re-adjustment of subsidies on a per capita basis or by a re-adjustment of subsidies generally on a

relative basis. Such an adjustment must necessarily become unfair, if we have regard to the purposes of Confederation, when conditions change. It would be necessary under that system to readjust the Dominion subsidies every few years."

MR. STEWART: To what particular purposes of Confederation do you refer in that paragraph?

HON. MR. JONES: In this last paragraph?

MR. STEWART: To what particular purposes of Confederation? You say "having regard to the purposes of Confederation"?

HON. MR. JONES: Yes. Well, to the purposes, that this is a federal system, and that it was designed to secure the welfare of all the provinces and that any grant of subsidies could only be of a temporary character, depending upon changing conditions.

"Suppose, for example, that there should be a province in Canada, where the financial situation was so acute that there could not be any provision by the province for purposes of national importance, such as the care of the insane, the prevention and treatment of diseases, the provision for the destitute or for education, how can it logically be said that no allowance should be made to that province unless the same allowance relatively is made to all the other provinces even though some of the others, through their mines, industries and other sources of wealth, would be more than capable of providing for all the services which are in the control of the provinces?"

There is another reference which is not in the brief and I would like to have it in the record on account of

keeping the record plain and straight, and also that it might be considered by the chairman. It is contained in Adarkar's book, pages 195 and 196:-

"The general benefits of certain federal activities, like defence, law and order, etc., may be conceived as being shared by all the states and their peoples alike. But over and above this, both in the field of taxation and in that of expenditure, a federal government can legitimately discriminate between the various states without violating formal or legal uniformity. The tax system may be so devised as to fall more heavily on the richer states than on the poorer ones. For example, it is easier to tap the richer sections or states, if recourse is had to progressive income taxation, than if the necessarily regressive form of indirect taxation (like customs or excise) alone is chosen as the mainstay of the federal tax system. On the other hand, the agency of public expenditure may be so utilized by the federal government as to benefit the poorer states more than others. Special subsidies and subventions may be granted them so as to encourage and enable them to carry out projects either of the welfare or developmental variety. Of course, this kind of subsidisation must be made subject to supervision and some practical guiding principles must be observed in order that it does not result in either wastefulness or financial lethargy among the recipient states. The richer states, needless to say, will grumble, as they always have done in most federations, about the disparity

between what they contribute to the common purse and what they receive as a return therefrom. But clearly in federal finance it is not possible to conceive of such a quid pro quo principle it is contrary to the very purpose of federalism and if carried to its logical end, it is bound to lead to disruption of the federal bond."

And then again on page 235:

"The defect of an excessive interference with state administration is not, therefore, inherent in, but incidental to, the system. On the contrary, the use of federal subventions in aid of many desirable cultural, social and developmental services has everywhere produced satisfactory results. It is not, as President Coolidge once said, that 'we impose unfairly upon the strength of the strong and encourage the weak in their weakness', but that we apply the resources of the nation to those points where they are most needed and thus strengthen the weakest link in the chain. Neither economically nor on any other grounds can a moderate system of federal subventions ever be proved to be harmful in its effects. It is the only method of financial adjustment that 'combines state control with national leadership'."

Pages 237 and 238:-

"To conclude this chapter, it must be emphasized that the choice of a particular method of financial adjustment is relative to the facts of each case. If the aim is clearly borne in mind, the choice of method is comparatively an easy matter.

What is needed is a complete view of the whole picture. There may be deficiencies here and excesses there; but so long as the summa of results

achieved indicate a well-balanced system, federal finance as a whole must be a success."

And then again at page 183, a short reference:

"In a well-organized federation, it is indeed the duty of the Federal Government to apply the common resources in such manner that the welfare of the nation as a whole is maximized; this is to be done by making real transfers from the richer to the poorer units by taxation designed to fall more heavily on the former and by subsidies or subventions particularly benefiting the latter."

COMMISSIONER ANGUS: Mr. Jones, arising out of that is a suggestion that the provinces should abandon certain sources of taxation in favor of the Dominion. For instance, the taxes that Professor Adarkar mentions as lending themselves to transference, such as succession duties or graduated income tax.

HON. MR. JONES: No, we are not making that suggestion. All we do say is, with reference to the income tax now, to which I will refer presently, if that is retained, if that taxing authority is retained by the Dominion, and part of it is not distributed to the provinces, then it will enable the Dominion to make those subventions. I am not sure whether I quite answer the question.

COMMISSIONER ANGUS: Yes, what I meant was this: that the import of the quotations that we have just had is that transference from the richer to the poorer province is easier if the federal government is using such sources of taxation as a graduated income tax.

HON. MR. JONES: Yes.

COMMISSIONER ANGUS: Or of succession duties. While, if it is relying on taxes on consumption, like excise,

or customs duties, then to effect the same degree of transference there must be larger subsidies.

HON. MR. JONES: It just simply means this: Our view is that whatever form it takes, we are trying to enunciate the principle that the aid should come from those able to pay for the purpose of assisting those that are less fortunate, and the manner of working it out we have not dealt with very completely, because it is a matter for the Dominion. But that is the principle that we have here. We think under a federal system that the rich should help to help the poor, and whether it is taken from the province or whether it is taken from the individual is a matter, of course, that we are not particularly concerned about. And that was intended as the suggestion that we will make.

To continue at page 12 of the brief:

"The following remarks contained in an article by Professor W.A. Carrothers, Director of Economics in British Columbia, published in the Canadian Journal of Economics and Political Science, February, 1935, where he refers more particularly to tariff matters, have a bearing upon the question we have just outlined. He stated (page 35:) -

'If Canada has been unhappy in the matter of subsidies, she has also been unhappy in the matter of subventions. Grants have been made from time to time by the federal government to the provinces for various purposes, such as road construction, technical and agricultural education, etc., The method by which these grants have been made have again favoured the wealthier provinces as usually these grants have involved an equal

expenditure on the part of the province concerned. This principle, however, could be modified in order to bring about greater fairness. As mentioned above, the main report of the Nova Scotia Royal Commission of Economic Inquiry recommends (p. 86) that the subsidies should be subject to periodic review and that this review should be based on some definite principle. A similar recommendation is made by Professor Rogers, who suggests that the principle of revision should 'bear an intelligible relation to the relative wealth and revenue capacity of the various provinces'. It is suggested that such revision should take place once in five or ten years. Professor Innis recommends more frequent revision, and it is not impossible that revision machinery could be set up which would operate continuously. With more adequate provincial statistics it would be possible to determine with a great degree of accuracy the actual net cost to each province of the Dominion tariff policy. It would also be possible, by properly constructed indices, to determine the taxable capacity of each province. These indices, combined with an examination of the fiscal requirements of the province, would form a basis on which the necessary subsidy could be determined each year."

That is the end of the quotation. Our plan is, of course, that there would be a board continually functioning to recommend.

"The Dominion has recognized fiscal need in the inadequacies of subsidies as a provision for the services with which the provinces were charged.

It granted subventions of a temporary character, for agricultural and technical education and for other matters. The grants were made contingent upon the provinces contributing a certain proportion of the cost of these services. Subject to this contingency the grants were made to apply to every province whether they were needed or not. At least one of the provinces was not able to take advantage of these subventions for the reason that it could not supply the proportion of the money required. This resulted, in effect, in an additional burden on such province and in an additional benefit to the provinces which were able to take advantage of the scheme. That principle is what we wish to avoid. The plan we propose is not that the small province is to be further burdened by grants to the other wealthier provinces, but that it will be assisted without regard to the other provinces."

COMMISSIONER DAFOE: Mr. Jones, that policy of the Dominion Government in making those grants on a per capita basis is an indication that they have never been willing, in theory, to recognize the principle of fiscal need, though I do not think anyone can follow the adjustments which have been made without conceding your point that fiscal need has been, in reality, one of the determining factors in making these adjustments.

HON. MR. JONES: Yes.

COMMISSIONER DAFOE: They have been trying to ride two horses, recognizing fiscal need and then saying "Well, we are against the principle of fiscal need".

HON. MR. JONES: Yes; in other words they have applied

the principle of fiscal need we show in illustrations here.

COMMISSIONER DAFOE: Yes. I think you will find they have denied on several occasions that fiscal need is the principle that has governed.

HON. MR. JONES: Just as the White Commission did, yes. The White Commission denied that it was fiscal need.

MR. STEWART: Is it not a fact that the very instances you cite are the two cases in which they denied the application of fiscal need as the principle? They said "The per capita is the basis on which we will make the grants and not on the basis of fiscal need at all"?

HON. MR. JONES: I do not know that they go that far. The point that I had in mind there was that without applying this to all the provinces, whether they could do certain things, and to distinguish our plan by which we say they should deal with each province under its own circumstances, without reference to the other, that is what I had in mind in that paragraph.

"These subventions had the effect of encouraging the provinces to embark upon the ambitious scheme of development in respect to the matters to which the subventions related. But the assistance was discontinued by the Dominion after a few years and the provinces were left in a position where they must either abandon the services or keep them up at the sacrifice of necessities.

It is here to be observed that the White Commission distinctly rejected the principle of fiscal need in the determination of its findings. At page 7 of the report it is stated "For the foregoing reasons we feel obliged to

reject this proposed test of fiscal need and proceed to consider upon other grounds the claims of the Maritime Provinces for increased subsidies under the caption of this section'. The same is true as to the Duncan Commission.

It will thus be seen that the claims of New Brunswick have not been as yet considered on the principle of fiscal need."

On page 14 we set out some figures in reference to the financial situation in the province, and I desire to supplement that by introducing a statement for the last fiscal year, which was not completed for us at the time this was made up, and which might indicate more clearly the reason for the issuing of the bonds under the various heads. I would ask that that be just simply added to the proceedings as an exhibit.

THE ACTING CHAIRMAN: That will be filed as exhibit 357.

HON. MR. JONES: It is prepared from the Comptroller General's report of last year, and I have some copies.

THE ACTING CHAIRMAN: Mr. Stewart suggests we should file the brief itself as exhibit 357 and the statement as 358.

HON. MR. JONES: The reason I did not do that at the very first ----

THE ACTING CHAIRMAN: There is no hurry.

HON. MR. JONES: I thought perhaps I did not want the--

MR. STEWART: It will be deemed to be tendered page by page as it is read.

HON. MR. JONES: That is what I would like to do. I intended to offer it later, because I did not want too much publicity to be given it except as we go along.

THE ACTING CHAIRMAN: We will keep it quiet.

HON. MR. JONES: And the newspapers have arranged that they will not deal with the whole brief except as we present it.

EXHIBIT NO. 357 - Brief of the Government of the Province of New Brunswick.

EXHIBIT NO. 358 - Statement showing bonds outstanding in the province for fiscal year ending October 31st, 1937.

HON. MR. JONES: I am not going to take the time of the Commission to read the figures, either that statement or this, because they are there, and after all the Commission will have its own report from those who are engaged by it in determining the relative position of the several provinces, the economic position and the financial position, and I do not think it would be useful for me to take the time of the Commission to read those figures. But I would like to supplement the figures with some information as to the position of the different municipalities in the province. That is information that was not readily available when the brief was made up. And I would like therefore to offer as an exhibit the annual report of municipal corporations in the province which has been prepared by the Department of Municipal Relations.

THE ACTING CHAIRMAN: That will be exhibit 359.

EXHIBIT NO. 359 - Annual report of Municipal corporations of the Province of New Brunswick.

HON. MR. JONES: And I would also like to have a statement, I would like to call a witness who will make a statement in a brief form so that the general idea might be conveyed to the Commission as to the present situation of the different municipalities.

THE ACTING CHAIRMAN: You want us to hear him now or later on?

HON. MR. JONES: I would like to have you hear him now. It comes right in line. I will have the gentleman here presently.

LLOYD BYRON called:

HON. MR. JONES: I would like to have Mr. Lloyd Byron add, sir, a few questions, and accepting the invitation of the chairman I will sit down.

THE ACTING CHAIRMAN: I understand this gentleman will make a statement?

HON. MR. JONES: I think I will have to lead up by one or two questions.

THE ACTING CHAIRMAN: I think you had better.

BY HON. MR. JONES of Mr. Byron:

Q. What is your position, Mr. Byron? A. I am the accountant-auditor of the municipal branch of the provincial government of New Brunswick.

Q. You are in the Department of Federal and Municipal Relations? A. Yes sir.

Q. And did you have something to do with the preparation of the annual report for 1936? A. Yes sir.

Q. Which has been introduced as an exhibit. Now, this being a ^{vol-}very luminous report, Mr. Byron, I thought that it might be useful to have some kind of a concrete statement which would indicate substantially the economic situation in the several municipalities of the province. Could you give us that from any summary you have in the report? A. In the front of the book there are the consolidated statements.

Q. By the way, would you pardon me a moment? I think the members of the Commission should have a copy of the book if you are going to refer to certain pages, so that they might want to look at it in the meantime. My thought

was, Mr.Chairman, that in determining the situation in New Brunswick it would be desirable to know the situation of the several municipalities. In the front of the book, you say?

A. In the front of the book there are the consolidated statements of all the municipal corporations of the province, which are the counties, cities, towns and villages. Amongst the various workings, wherever there are counties, cities, towns and villages having accounts to do with each other they are eliminated in that column called elimination. It is noticeable on page 30 we have a consolidated statement of valuation, assessment, and ratepayers for various fiscal year periods ending within the year 1936. I wish to call your attention to the amount assessed of \$5,315,283.61. That is the amount levied on the above valuation called the assessed valuation, which is the valuation put on by the assessors of the various municipalities. The Statutory valuation may not be known to you gentlemen. We have under the rates and taxes act every ten years, not less than five, there is to be a valuation made by valuers appointed by the provincial government and the assessors are to then use that valuation until the next time the statutory valuation is made, with adjustments, of course, as property is sold or property is opened up, etc. That five million dollars is on the total assessed valuation of \$168,000,000.

Q. Tell me, Mr.Byron, this valuation of \$168,000,000 is a valuation of all the property of the province?

A. All of the property owned by the municipal corporations.

Q. Owned by the municipal corporations? A. Yes, on which taxes are assessed. There is an exempted valuation of \$64,319,825.50 which is right below the amount assessed

That is all the property that is liable to taxation.

Q. Yes, that is it. It would not be all the property owned by the municipalities, but all the property liable to be taxed in the municipalities? A. Yes, I beg your pardon. I was looking at it from a different viewpoint. On the statement of current cash receipts and disbursements the total is \$6,603,096.07. From that is deducted a current overdraft for the year of \$915,907.48; which, if the current overdraft were added into the expenses for the one year of 1936, would have made the total expenses \$7,500,000.

Now, gentlemen, the assessment was - to go back to page 30, this table is on pages 28 and 29- was only \$5,315,000, against a total disbursement of \$7,500,000, which shows that the assessment was not large enough to cover the disbursements in that year.

A great deal of that five million dollars, the collections of the taxes for the year, on page 24, gentlemen, under receipts, general taxation, current taxes shows \$2,850,811.61. There, gentlemen, you have a comparison of the figures of the assessment of the levy so called of \$5,000,000, the collection of that during the year was \$2,850,000, less than 60%, and your total disbursements of \$7,500,000.

It is noticeable that the public utilities here in the province, that is the public utilities that are run, owned by the municipalities and run by the municipalities, instead of owned, show a receipt on page 24 of \$945,000, and a disbursement on page 26 of \$468,000. That, gentlemen, helps out the municipalities on their taxation problem. It is not the full answer, as can be seen by the difference between the \$7,500,000 and the \$5,000,000 assessed for and the collection of \$2,800,000.

The rest, gentlemen, is, I am sorry to say, bond issues.

It is noted that with a decrease of the collection of taxation, there is a general increase in the bonded debt to cover it, and with it the result of fixed charges of \$2,380,000 out of that total of \$7,500,000 of total disbursements of the province.

That, gentlemen, shows the trend of the taxation here in the municipalities. The cost of services has so increased, the cost of taxation has become so high, that it is hard to collect the taxes, unless property is taken over, and then it has a value of whatever wants to be placed on it. But the property is being taxed so bad now that it can only bear roughly between fifty and sixty per cent of the services here in the municipalities under the present method of assessment.

Our next biggest disbursement is for public schools, and that on the public schools is the cost of education,

and is the public schools of the cities, towns and villages, where the school is within the city town or village, and does not take into consideration the schools which are rural schools and so forth. I believe that will come in under the Department of Education will it not, Mr. Jones?

Q. Yes? A. But that showed a disbursement of \$1,393,000. So that in the \$2,380,000 for public financing on page 28 and the \$1,393,000 for public schools on page 28, we have largely the amount assessed for of \$5,000,000.

The public charity in the year 1936, which includes such direct relief as was given before the government changed the policy, alms for public charities and relief, municipal homes and hospitals, municipal homes and outright grants amounting to \$750,000, as against

public services which are necessary services in the municipalities, like works and streets, street lighting, fire and salvage, safety and lands and buildings, absolute necessities within the municipality, amounting to \$701,000. So that the cost of public charity, like existing services, which are the bare necessities within the municipality - this does not include public protection, which is \$397,000, public health, if added to the public charity would bring that \$750,000 up to \$1,300,000, public health amounting to \$450,000, and that public health is the public health that is borne by the municipalities alone, not by the provincial Government or any reference thereto.

It has been seen, gentlemen, that the trend in the issuing of bonds has been upward, and to make up the taxation and the loss of collection on taxation, they have had to resort to bonded debt. Is that all, Mr. Jones?

Q. Of course, you have each municipality I suppose in detail? A. Yes sir.

Q. But that is shown by the book, is it?

A. Each municipality is shown here separately and has a balance sheet capital, cash receipts and disbursements and a statement of debentures issued.

Q. That comes on what pages? A. Throughout the book, sir. The index is in the back of the book which shows the key.

Q. I do not think we need encumber this record with it at all. The Commission will have the copy of the report wherein that information may be found. Does it indicate there just what is expended under different items, public health and services?

MR. BYRON: Yes, it does.

HON. MR. JONES : It does?

MR. BYRON: Yes, they are all given in detail.

HON. MR. JONES : That is for the different services, is it?

MR. BYRON: It is for all the different services, and they are further broken down. There is a consolidation by counties, by cities, by towns and by villages.

HON. MR. JONES: And a general consolidation of all municipalities?

MR. BYRON: Yes, the one from which I have been quoting.

HON. MR. JONES: From that report, is it your idea that this commission may be able to ascertain the economic and financial situation of each municipality in the province?

MR. BYRON: Yes, that is correct.

HON. MR. JONES: The commission will be able to see that certain services have encumbered the municipalities greatly, for example, provincial hospitals, sanatoria and so on.

COMMISSIONER MacKAY: What control has the province over the municipality? Does the municipality have to obtain your consent before issuing bonds, for example?

MR. BYRON: There is a Municipal Debentures Act, whereby the municipality is required to appeal to the provincial legislature at their session and the provincial legislature itself, gives authority to the municipality for all bonds.

COMMISSIONER MacKAY: You have no control, that is the Department has no control?

MR. BYRON: Except the cooperation of the municipal committee of the legislature, which, I might add, is very good. We do have control, insofar as the floating debt is concerned. We can authorize a municipality to issue bonds to make up a deficit on the floating debt, but any requests for bond issues go to the House each year.

THE ACTING CHAIRMAN: There is no general law; it must be done by a private bill adopted each year?

MR. BYRON: We have control over the floating debt which we may use, but we have not, as yet.

COMMISSIONER MacKAY: Is there any general rule concerning the retirement of municipal debentures? Are they mostly provided for by sinking funds or serial bonds?

MR. BYRON: We have encouraged, in the last few years, the use of serial bonds. We are trying to build up the sinking funds of the municipalities in the province on a basis of four per cent at the present time. We encourage the municipalities to make their sinking fund payments. You will understand, sir, that the department of municipal relations has only been working a short time. This has been our policy and each municipality shows in its debenture issue statement, the amount of outstanding debentures and the sinking fund which has been accumulated to date, as well as the actuarial requirements on a four per cent basis. Now, the consolidation which shows that, appears on page 21 of the annual report of municipal corporations. It shows the sinking fund accumulated as \$7,805,314.32 as against \$8,072,489.18 under the actuarial requirements.

THE ACTING CHAIRMAN: Has the department certain con-

trol over sinking funds?

MR. BYRON: Yes, we have control, in a sense. The last legislature amended the municipal Debentures Act to include the department of municipal relations, which was not established before that time, sir.

COMMISSIONER MacKAY: The municipalities make their own investments, you have no control over that, have you?

MR. BYRON: Yes, we have control over the investments. There was an amendment put through for the Municipal Debentures Act which gives us control, but prior to that, there was none.

HON. MR. JONES: Very well, I think that will be sufficient. You say that the valuation is made every ten years by a board of valuers appointed by the province, and is that general valuation extended to the cities, St. John and the other cities or is it only for rural municipalities.

MR. BYRON: It does not necessarily extend to the corporations, but it has been the rule of the incorporations to request valuation at the same time. I believe the city of Fredericton did not request it the last time.

HON. MR. JONES: There may be a different valuation in the cities relative to those in the country places, may there not?

MR. BYRON: Yes, sir, I might call your attention to the city of St. John. A glance at page 322 of the annual report shows that the statutory valuation in December of 1934 and December of 1936--there is only a two years difference--the statutory valuation was \$45,013,366.00. The assessed valuation was \$47,655,969.00. That is one example, and there is an example of the counties on page 136 of the same report, showing the figures

for the county of Northumberland. This valuation covers the rural area and not the incorporated towns within the boundary of that county. It shows that on January 12, 1934--there is still a two years difference in these figures--that the statutory valuation was \$8,785,480.00 and the assessed value was \$3,727,857.66. It shows that the tax is on a very much lower valuation than the statutory valuation. The causes back of this are too involved to mention here.

HON. MR. JONES: The point is that notwithstanding a statutory valuation the assessors are not limited to that: They are not confined to that in practise, apparently.

MR. BYRON: At the time the statutory valuation was introduced and the rates fixed, it was very fine. Now, the work of checking up by the provincial government, is the work of the valuers and assessors within the province. In actual practice it has come down to the famous copy rule. From year to year the assessors, I am afraid, pay very little attention to the statutory valuation. As a matter of fact, we have found cases where the valuator who put up the statutory valuation was also the assessor who approved of changes which were widely apart from the statutory valuation.

HON. MR. JONES: The statutory valuation, then, is of not very great importance, in one sense, is it?

MR. BYRON: It has a comparative value, but a comparative value only.

HON. J. B. McMIIR: Has it not more than that? As I understand it, the purpose of the ten year valuation is to fix the distribution between the parishes and the county for certain county purposes. It is this purpose

which is served and the assessors are not bound by it.

MR. BYRON: It does serve that purpose, a distribution of the county burden is made every ten years. Thank you, very much, for bringing that point up. Any contingency or amount which cannot be charged directly to the parish units or town's warrants is charged in the warrant, on a percentage valuation which each unit bears to the statutory valuation in the total.

HON. MR. JONES: I suppose it would be valuable in developing whether an incorporated town which is part of a parish or municipality--in determining what proportion of the county rates the town pays, as against the county.

MR. BYRON: It is not, comparatively; no, sir. The contingencies to the county are very, very small compared with the fixed charges which the county has.

In other words, their services, a glance at any county will show you that the services of the county in the province of New Brunswick are, for the most part, social or controlled by an Act under the provincial government. The county has the administration of justice, the board of health, the ~~alms~~ and municipal homes. The county has these fixed services for which it has to assess and which are controlled under a specific Act. Therefore, the contingency for offices and administration expenditures, the possibility of revision for other items like that--the great majority of the expenditures of a county are fixed by one Act or another. The county has to assess for that and the assessment on that is usually set by the Act.

HON. MR. JONES: I do not think there is anything further.

THE ACTING CHAIRMAN: Have you any questions which you would like to ask, Mr. Stewart?

MR. STEWART: There are one or two questions which I would like to ask.

BY MR. STEWART of MR. BYRON:

Q. Is there any statutory basis for the statutory assessment; is it actual value or what? A. It is supposed to be actual value, but the definition of actual value is not given in the Act.

Q. You have referred to the taxes collected by the municipalities as \$2,800, and some odd thousand, that was the tax for the then-current year, was it?

A. As applied against the assessment for the then-current year, yes.

Q. A great deal of the overdue taxes would be recovered in subsequent years, is that not so? A. Yes; on page 24 of the annual report, that information is given.

As a matter of fact, the defaulting taxes for that year were very close to the current taxes. You will notice under the item 'current taxes' there is the item of 'default taxes' which amounts to \$2,117,240.56. The other taxes such as the New Brunswick Telephone Company special tax, road taxes, dog taxes, frontage fees and grants from tax exempt industries are rates taxes and were applied to special purposes.

Q. I notice on page 16 that you are setting up a reserve for uncollectable taxes of over \$1,135,060.

A. Yes; where did you say that was?

Q. On page 16 under the heading 'reserves'. A. Yes, that represents a reserve which has been set up in the various municipalities. A great many of these municipalities had not set up reserves, but some have.

Q. Does that indicate a general laxness in the collections

on real property? A. You say 'General laxeness, sir'. There have been cases of general laxeness, but we have had a depression and we have found the collection of taxes an almost impossible task during these depression years.

Q. The taxes are covered by a lien, are they not?

A. Yes.

Q. And even in the exercise of that lien, they cannot be collected? A. Well, the municipality merely becomes the landholder. In some parts of our province, if the municipality forces a sale for taxes, it would receive practically nothing from the sale and the municipality would merely become the greatest landholder within the municipality.

Q. Have you any statistics on the proportion of land in the municipal districts which has been sold and is now owned by the municipality itself? A. No, we have no comparative statistics. This Department has only been established in the last few years. I have been in touch with this question for a good many years. As a matter of fact, during 1933-34 and up until the present time--I am speaking from personal experience--during that time I was a trade accountant in the various municipalities in the counties of Northumberland and Gloucester.

Q. There are no bidders when a municipality has a sale of this kind, is that correct? A. Well, many of the sales are simply stopped for lack of bidders.

HON. MR. JONES: I think, Mr. Chairman, I will continue with the reading of the brief at page eighteen. At page eighteen at the fifth paragraph. I will leave consideration of these financial matters to some future time. The report of the research committee may be available at a future date, and when it has been received, this

whole matter can be considered on a relative basis with the other provinces.

Quoting:

"In view of the research work now being carried on by this Commission it has not been considered desirable to encumber this brief with exhaustive statistical information.

The Chairman of the Commission has stated that after the report in connection with this research work is made, the province will have an opportunity of filing an additional brief with reference to any questions arising out of the report. We, therefore, expect to take advantage of that opportunity.

In submitting the claims of New Brunswick we do not wish to be understood as demanding any definite sums of money from the Dominion. We are stating facts with the object of showing the needs of the province. Further facts will be obtained from the researches now being made under the authority of this commission.

We also suggest remedies which may be applied in certain cases, and we are submitting the views held by the province in reference to the matters with which the Commission has to deal.

In short, we are endeavouring in this brief to present a picture of the situation as we see it.

It is then for the Commission to make recommendations.

The province is not approaching this commission upon the theory that it is bankrupt. There has been no default by it or by a municipality in the payment of liabilities and there is no

"intention of repudiating any obligation.

The present situation has been brought about, not for the reason that we have had what may be regarded in modern times as sufficient income, but because the province has administered its affairs frugally. It has not been possible to furnish our people the same assistance along the lines of social services, education and health and some other matters commensurate with those furnished to the people of some other provinces. Our people have not had the same governmental assistance in reference to many public services that are enjoyed by people elsewhere. The men and women of our province have buckled down to work, and have taken as necessity compelled them, whatever measures were possible in working out their livelihood.

Our government has now adopted measures in regard to the encouragement of export trade, mineral development and industries which it is hoped may enable us to provide a higher standard of living than now prevails.

But, although we are not in a hopeless position, it is necessary for us to have further financial assistance from the Dominion. We feel that the people of New Brunswick are entitled to the same standard of living as prevails in other provinces."

I might say that the reference is more particularly

directed towards social services and not the actual living conditions. It is the social services, the prevention of disease and other like things which are a part of the living conditions, perhaps, not the housing.

Continuing to quote:

"Through the operation of a protective tariff, from their geographical position and by reason of the fact that many hundreds of millions of dollars have been spent on the canals and on the development of the St. Lawrence River, and that Ontario and Quebec have received vast areas of public lands containing great wealth, those provinces have become relatively wealthy.

The Royal Commission, headed by Sir Andrew Duncan, made some important findings with respect to the problems of the Maritime Provinces and recommended that an interim subsidy award be made to each of the provinces.

The White Commission recommended that the subsidy award be increased to the sum of \$900,000 per year, but based its findings on considerations other than those of fiscal need, which principle was distinctly rejected.

We have accepted the above mentioned amount but regard it simply as an attempt to settle inequalities in respect to the subsidy arrangements existing between the provinces and the Dominion. We have not accepted it as a final settlement of the fiscal relations that now exist nor have we regarded it as a full settlement of all further demands. In the Duncan Report, page 15, it is stated:--

'We have gone over the provincial accounts of the three provinces in detail. The scope of administration--take public works as an example--has certainly increased, and it is not easy to

"draw a hard and fast line as to where government machinery ends. But many departments of their activity are being run at a surprisingly low cost, and we feel satisfied that they certainly are not on the whole incurring unreasonable expenditure. Nor do we feel that in view of the burdens they are carrying they can be expected to meet from their own revenues the increased cost of their machinery of government.'

and at page 16:--

'Their present revenues from provincial taxation are insufficient to balance their budget, and do not provide sufficiently for depreciation through sinking funds. Their capital expenditure, too, has been increasing. We are bound to keep in mind that the depressed condition of the Maritime provinces, the contraction there has been in the revenue from their natural resources (which in the case of Nova Scotia has been accentuated by industrial troubles) and the absence of large scale commercial and industrial enterprises make the problem of provincial taxation for them a very serious one indeed, especially when regard is had to the extent to which the Dominion has itself invaded the field of direct taxation which was open to the provincial legislatures under the British North America Act of 1867 (Section 92).'

'On this question of adequacy of provincial taxation, we feel that 'per capita' yield is not an entirely fair measure to apply. Regard must be had to the value of the production of the provinces. Applying the test of 'unit of production'

"yield, we find, from the information shown in the publications of the Dominion Bureau of Statistics, that the average for all Canada (so far as provincial taxation is concerned) is less than 2.5 per cent on gross value, while in the Maritimes it is over 3 per cent. We are satisfied that they do recognize that provinces are expected to supplement their revenues from sources of their own, and that their present financial position does not arise from any misconception such as that provinces should be free to spend as they like and to look to the government to meet the bill. A review of their financial operations over a long period suggest frugal expenditure. On a full consideration of their arguments and their circumstances, we think the Maritime provinces have made out a case for a revision of the grant from the Dominion in support of their government machinery and activity.'

In the White Report the following is found at page 12:--

'The comparative statistics referred to show, however, that while their capital expenditures ever since 1920 have unquestionably been excessive, they have not exhibited a higher scale of increase from year to year than some of the other provinces. Their increase in this respect appears, however, to be higher than the average of all the provinces of Canada. Outside of capital expenditures the administration of all three Maritime provinces appears to us to have been quite economical and even, as characterized by the

"Duncan Commission, 'frugal'. The salaries paid to their ministers of the Crown, officials and other public servants and the limited provision made for social services are on a much lower scale than that prevailing in the other provinces."

New Brunswick has not been able to provide for necessary public services to an extent equal to that prevailing in the Province of Nova Scotia.

It will be found that the expenditures made by New Brunswick since the White Report have been frugal.

Of course, there is the necessary increase in public debt due to the construction of permanent highways and this matter will be referred to later.

It is also to be observed that since the report of the White Commission, increased expenditures have been made by the province for necessary public services.

The principal increases made in 1937 over and above the expenditures in 1935 are as follows:--

| | |
|---------------------------------|---------------|
| Old Age Pensions | \$501,000 |
| Provincial Health Institutions | 43,000 |
| Department of Labour | 20,000 |
| Education | 81,000 |
| Agriculture, extension services | 22,000 |
| Dairying | 11,000 |
| Agricultural Relief | 16,000 |
| Colonization | 38,000 |
| Highways | 168,000 |
| Bridges | <u>35,000</u> |
| | \$935,000 |

"And we have not been able to provide for mothers' allowances, child welfare or, adequately, for many services hereinafter particularly mentioned."

New Brunswick has practically exhausted the capacity of the people to pay taxes."

We mean that statement in a relative and quite reasonable sense; our province has done that. I do not mean to say that in any country one could not go out and extract some more money from the people, but in a practical, reasonable sense, the province of New Brunswick has done this.

"We refer again to the findings of the Duncan Commission hereinbefore set out with reference to the economic conditions in the provinces.

From the inquiry which is now being made by this Commission, it will no doubt be demonstrated that the province of New Brunswick is unable to provide for the services which are now demanded by the people of the province and which it is the duty of the province to provide for in some manner on a par with the provision made in other provinces. Whether there is some method whereby a small additional revenue can be extracted from a needy people is not material. It is not a matter for delicate technical examination. The question must be looked at reasonably and in a broad way.

In this province taxes are imposed by municipalities directly upon the ratepayers for municipal purposes, for education, for tuberculosis, for the support of the poor and the repairs of the ordinary country roads. Included in the municipal

"tax is provision for assistance to hospitals and to provide for the support of insane persons.

Each parish is required to pay for the support of insane patients whose home is in the parish." That is, in the institution as well as locally--

"Some of the rural municipalities have not been able to collect the taxes for these purposes for some years and the collection generally of municipal taxes has been most difficult. It has reached the position to-day where it is absolutely impossible to impose any further tax burdens in country places and the same is true largely with reference to the cities and towns. There is urgent necessity that the province shall wholly assume the expense of the treatment and prevention of tuberculosis and the maintenance and care of insane persons. Provision must be made in the immediate future for the segregation and maintenance of the feeble minded, and for mothers' allowances, child welfare and other social services."

MR. STEWART: I suppose, Mr. Jones, when you use the word 'necessary in connection with these services, you mean nothing stronger than very desirable, do you not?

HON. MR. JONES: In what particular respect?

MR. STEWART: You say, "There is urgent necessity that the province shall wholly assume the expense of the treatment," and so on.

HON. MR. JONES: I would put it stronger than that in view of the condition described by Mr. Byron. It would be quite apparent that the municipalities are not capable of paying taxes. Therefore, it is necessary for the provin-

ces to do something for those municipalities.

MR. STEWART: I suppose if the money were not forthcoming from other sources, such as the Dominion, it would be necessary either to do without these services or pay increased taxation, would it not?

HON. MR. JONES: The people would have to do without the services, because they cannot pay increased taxation. We have reached the limit of our tax capacity, practically. It will be readily understood, as I have said this morning, that it is absolutely necessary for the province to take hold of these problems and help these people out. They are living where they have not the proper facilities for the treatment of disease and tuberculosis is rampant amongst them. I think I would not like to qualify that, because it is necessary.

Continuing to quote:

"The operation of Dominion policies, especially with reference to the tariff and the excessive burdens of freight and transportation, as indicated in other parts of this submission, have so depleted the resources of the inhabitants of this province that they are unable to provide for themselves a standard of living and social services comparable with those in other provinces.

The following table compiled from a special report by the Dominion statistician shows a comparison of the purchasing power of the several provinces based on a per capita system of national income by provinces.

| | |
|----------------------|-------|
| Prince Edward Island | \$203 |
| Saskatchewan | 220 |
| New Brunswick | 237 |

| | |
|------------------|-------|
| Alberta | \$274 |
| Nova Scotia | 288 |
| Manitoba | 307 |
| Quebec | 372 |
| British Columbia | 513 |
| Ontario | 540 |

The average family income in New Brunswick is \$826.40, while in the provinces of Quebec and Ontario such income is \$1,700.50. The family income in New Brunswick falls short of providing for the family budget while in the other provinces there is a surplus over the family budget of \$907.60 per year. The above is computed by the Dominion statistician and is taken from "The Maritime Provinces and Their Relation to the National Economy of Canada", 1934, page 104, table 2.

| | |
|---|-----------|
| In 1871 the population of New Brunswick was | 235,594 |
| and in 1931 | 408,219 |
| That of Ontario in 1871 was | 1,620,851 |
| and in 1931 | 3,431,683 |
| In Quebec in 1871 the population was | 1,191,516 |
| and in 1931 | 2,874,255 |

The following table shows the number of persons employed in manufacturing industry in Canada and in the province of New Brunswick 1870--1935."

I do not know that I need to read the whole of that list but down below that list it is indicated that in New Brunswick there has been a shrinkage between 1870 and 1935. In the year 1870, New Brunswick had 18,352 employees and in 1935 only 13,937 or 75.9 per cent of what it had in 1870. In Canada there were 187,942 employees in the year 1870 and in the year 1935 there were 582,874 employees

which represents an increase of 310.1 per cent. While New Brunswick, Mac-boss, Canada generally has a larger number of persons employed in the manufacturing industry.

Quoting:

"It will be noticed that in 1935 New Brunswick employed only 75.9 per cent of the number employed in 1870. Canada, as a whole, has increased the number employed by 310.1 per cent.

The movement of population is important in the consideration of this question of taxation capacity. The following extract from "The Maritime Provinces in Their Relation to the National Economy of Canada", issued by the Department of Trade and Commerce, summarizes the statistical record relating to the population of the Maritime provinces:--"

COMMISSIONER MacKAY: Just a moment, Mr. Jones, what do you include under 'industrial employees'? Do you include lumbering and so on?

HON. MR. JONES: I beg your pardon, sir?

COMMISSIONER MacKAY: Is the lumbering industry included in that?

HON. MR. JONES: That is manufacturing and I presume that would mean the manufacture of lumber, although we have taken this from the report of the statistician.

COMMISSIONER MacKAY: Is this based on a Bureau of Statistics report?

HON. MR. JONES: Yes, it is based upon 'The Maritime Provinces in Their Relation to the National Economy of Canada.'

COMMISSIONER MacKAY: This item is a table from it, is it?

HON. MR. JONES: Yes, taken from it, and it was made

up by the Dominion statistician, so I suppose it would be considered that the manufacturing industry would include the lumbering industry.

He says in the same volume, at page 26 of our brief,

"'Emigration from the Maritimes has been in evidence in every decade since Confederation, although the most considerable movement occurred in the last decade and in the eighties and nineties. From 1891 to 1901 the immigrant arrivals were not even sufficient to balance the departures of former immigrants; while emigration from the Maritime provinces almost cancelled the natural increase of the native-born. The magnitude of the emigration of the native-born may be illustrated by stating that, in each decade since 1881, the three provinces have lost a native-born population practically equal to that of Prince Edward Island.

Of the male population between 15 and 65 who were living in the Maritimes in 1891, over one-third of the survivors were living elsewhere in 1921. There were in 1921 at least 325,000 former residents of the Maritimes who were living elsewhere--about three-quarters in the United States. This emigration of the native-born was not entirely due to the impossibility of making a living in the Maritime provinces, for from 1901 the immigrant population was increasing. The latter increase occurred chiefly before the war, but has also been in evidence on a small scale since. The effects of this emigration upon the Maritime provinces may be briefly summarized as follows:--

'The emigrants are mostly drawn from desirable

"classes of the population, the majority being young native-born of British races. Most of the emigrants leaving the Maritimes between the ages of 15 and 30, after having been educated at the expense of the provinces, and when they are young, vigorous, ambitious and enterprising. By their departure the Maritime Provinces lose not only the most efficient type of labour power but also enterprising ability on which further development depends."

The next item--pardon me just a moment, Mr. Chairman. There is a reference to Mr. Adarkar again which I would like to give to the Commission. On pages 121 and 122 of his book he says:

"There is nothing to prove that there was extravagance on such large scale as is often supposed. It was only the parrot-cry of politicians, who thought only in terms of deficits. Nobody saw clearly in the earlier days at least that the pressure for subsidies was a genuine indication of some fundamental defect in the whole system."

On page 27 of our brief, we deal with income taxes.

"At Confederation the provinces transferred to the Dominion the right to impose customs and excise taxes and these have constituted the most important features of Dominion governmental revenues. It was not then expected that the provinces would be compelled to resort to direct taxation but that power is distinctly conferred upon them".

I think it will be remembered by all those who have studied the proceedings of Confederation that it was quite understood that while this power was given to the provinces to impose direct taxation it was not expected they would ever have to resort to it.

"New Brunswick, as a Province, has not imposed income taxation although municipalities in the Province have always accepted that principle for purposes of local revenue.

It was regarded by the Dominion before the war that this power of direct taxation was to provide exclusively for provincial needs and there was no encroachment upon that particular field. The Dominion invaded this area of taxation as a war measure."

I quite realize, Mr. Chairman, that you have gone through this before, but perhaps I had better read it in sequence.

"Sir Thomas White, Minister of Finance, in the House of Commons is reported to have said (Debates 1917, Vol. 4, page 3761): -

'The Dominion Government, under the provisions of the British North America Act, is empowered to raise revenue by any mode or form of taxation, whether direct or indirect. On the contrary, the Provinces, and by consequence the municipalities which derive their taxation powers from the Provinces, are confined, in the raising of their revenues, to measures of direct taxation. As I have stated, the provinces and the municipalities are confined to direct taxation, and I have not regarded it as expedient, except in

'cases of manifest public necessity, such as I believe exists at the present time, that the Dominion should invade the field to which the Provinces are solely confined for the raising of their revenues.'"

I am emphasizing the words "except in cases of manifest public necessity".

"The representatives of the provinces attending the Dominion-Provincial Conference in 1918 adopted the following resolution: -

'The provincial representatives recognize that at such a time as the present it would not be wise to press the Dominion Government for immediate action on the several claims and expectations herein referred to. Without waiving any rights they have for the consideration of such matters at a more opportune moment, the provincial representatives respectfully suggest that since the income tax has been adopted by the Dominion Government as a war measure, it would be reasonable, in view of all the circumstances, that the Dominion should not leave to the provinces the duty of imposing new taxes of a similar character, but that the Dominion tax be treated as one for both Dominion and Provincial purposes, and that a proportion of the proceeds of the tax, say 50%, should be assigned by the Dominion to the provinces on a per capita basis to assist the provinces in meeting the pressing obligations of the time.'"

MR. STEWART: That is not the present view of the province of New Brunswick, - distribution on a per capita basis?

HON. MR. JONES: Yes, our view is that in some way

we should be assisted. If the Dominion insists upon keeping the collection of it we ought to have something from it on a reasonable basis, and if it were on a per capita basis I think it would be quite acceptable to the province.

COMMISSIONER DAFOE: Would not the giving up by the Dominion of the income tax, which seems to be suggested by this section, limit very greatly the power of the Dominion to make that distribution of tax from the wealthy to the poor, that you have been setting forth as something which is very desirable?

HON. MR. JONES: Yes, it might limit their capacity to do that, but at the same time they would devise some other means of doing it.

COMMISSIONER DAFOE: But they would not have the wealth of the country which, as it is pretty generally agreed, is largely concentrated in Ontario and Quebec. It would only be through income tax, succession duty tax, and sales tax, - and the succession duty tax, the Dominion has not got, and your brief rather suggests the Dominion ought not to have the income tax or the sales tax. Where would they get the money?

HON. MR. JONES: We do suggest that, but if they do keep that means of taxation away from the province then of course they would be in a better position to furnish the aid to which the province would be then entitled. If we had some resources of taxation left to us - although even then we might be in a position to demand it on the grounds of fiscal need, but our fiscal need would not be so great then.

COMMISSIONER DAFOE: If you had the income tax and the sales tax?

HON. MR. JONES: Yes.

COMMISSIONER DAFOE: The Dominion might say they have not any source from which they could create a fund out of which they could make these allotments which your necessities call for.

HON. MR. JONES: Yes, you cannot very well claim both, except in the alternative. If they are going to keep those sources of revenue, if we are not able to have any recourse to them except as a secondary manner in regard to the income tax and so on, which would not be of any advantage to us in this province, then the Dominion must devise some means of taxing the well-off people for the benefit of the poor people. If we were to have taxation possibilities and collect the taxes, that would reduce any fiscal need we might have. I would not say it would eliminate it, but it would have an effect on it. The more money we can get from the Dominion either in that way or in recognition of some special claims that we have, would have an effect on our position in regard to the question of fiscal need. But we, unless all that can be done, feel that at least the recommendation made at the interprovincial conference to pay over half of it to the province on the per capita basis, would be acceptable in case the other suggestions were not carried out. What we say is, we should have something, if we get it one way we cannot want it another way. We want it only once, but we must have it either one way or the other.

"It seemed to be recognized at the time by the provinces that the exigencies of the situation might have justified the Dominion in imposing an income tax for a temporary war purpose, but the 'manifest public necessity' must have long ago disappeared."

MR. STEWART: In that connection have you compared the results of income tax collections with the war costs that are still being paid annually out of Dominion apportionments?

HON. MR. JONES: We do not make that comparison in the brief.

MR. STEWART: The cost of the interest on the debts incurred during the war and for the purpose of the war, plus pensions, must very closely approximate the total receipts from income tax.

HON. MR. JONES: I doubt very much if they would, because the income tax this year has gone up by leaps and bounds, according to the reports; they have collected, I think, something like \$120,000,000. In fact, the buoyant revenues of the Dominion have made all the subsidies we get or did get seem very very small in comparison, the way financing is done in these days. The increase in the revenue from customs and excise - I am speaking from memory of a report made by the Minister of Finance - would pay all of our subsidies and old age pensions besides for last year, - just the increase. In other words, the Dominion got millions and millions of dollars more than they got before, and we have received practically nothing of it. The Dominion of Canada is the unit that has the subsidies. Talk about the province going to the Dominion for increased subsidies, the Dominion through the power it has, customs and excise and income tax, has all the subsidies and we have to go begging from time to time for a little part of it. But what I say is after all, what little they pay to the provinces compared with the enormous revenues they receive, is really to be wondered at when you come to consider it.

MR. STEWART: Of course, the obligations of the Dom-

inion for the services it is called upon to perform under the British North America Act have mounted and increased fully in proportion to those of the province.

HON. MR. JONES: Well, perhaps so. I dare say they most certainly have increased, but all I happened to say there in passing was to wonder at the buoyancy of the revenues of the Dominion and of course, while there are necessary public services, the services have increased also the necessity for expenditure, still most of their expenditures for public services apply to matters which arose through careless and unwarranted investments in railways and canals and the harbor at Montreal, and other matters. We have great doubt there was any great justification for them.

MR. STEWART: Still, Mr. Jones, the Dominion revenues, although buoyant, are not sufficient to enable the Dominion to balance its budget.

HON. MR. JONES: That is quite true. They are not sufficient, apparently, to provide for the railway debt and all that sort of thing. But what I say is, what the provinces get is really a very small proportion of it, including old age pensions \$30,000,000. or \$40,000,000. What Mr. Dunning can gather in from customs and excise is an additional, increased amount. However, I think, Dr. Dafoe, that I have made our position plain on the question you asked?

COMMISSIONER DAFOE: Well, you have made it plain that if the Dominion keeps the income tax it ought to give you a portion of it.

HON. MR. JONES: Yes.

COMMISSIONER DAFOE: But in view of what you have said I would be inclined to question whether you are earnest in wanting the Dominion to turn over the income tax to the provinces, because in that case the wealthy provinces would

be very wealthy indeed and the resources which you and most of the other provinces would get from the income tax would be very slender.

HON. MR. JONES: I quite appreciate that, and I have that in mind, and if anything further than that is intimated very strongly in the brief we must perhaps qualify it a little because in this province the income tax would yield comparatively very little money, and therefore while I did say that the Dominion invaded our rights in that respect I think that we would prefer that they should tax the rich and give us a fair proportion of it, on the lines of fiscal need.

COMMISSIONER DAFOE: I think we have cleared that up.

HON. MR. JONES: Because we have not the rich people here, unfortunately; only a few millionaires.

"It has been said that the provinces are persistent in making claims against the Dominion and it has been intimated that there has been no foundation for these constant applications to Ottawa. But the question might be asked as to how the Dominion Government can disclaim responsibility in this respect, when it arbitrarily entered upon the field of taxation which was always regarded as the particular resource of the provinces?"

That is what you had in mind, that we were urging. But I recognize the fact that the income tax would yield relatively very little money in this province.

"The provinces suffered from the war in relation to their economic life in the same way as the Dominion. It will be found upon the examination of Dominion projects from the time of Confederation

"that, through the construction of unnecessary railways and by reason of the extravagant expenditures on the canals and on the St. Lawrence with an attempt to create artificial ocean ports and the expenditures for the improvement of port facilities in the United States, the Dominion Government placed this Union in such an unfortunate financial position that it was unable to meet the situation which arose by reason of the war. Thus it may be admitted that at the time of the encroachment in respect to direct taxation there was necessity for some radical improvements in the revenues of the Dominion. But it is a mistake to say that the provinces are responsible for that condition."

THE ACTING CHAIRMAN: Mr. Jones, what artificial ocean ports have you in view?

HON. MR. JONES: The Port of Montreal.

COMMISSIONER DAFOE: That is one; you used the plural. That is what interested Dr. Sircis.

THE ACTING CHAIRMAN: You are not thinking of Quebec, are you?

HON. MR. JONES: There are some other ports which have been created along the river, I think, - so called ocean ports; Three Rivers and some others, I have just forgotten the names. They have them strewn all along the St. Lawrence, and they are artificial because under normal conditions ships cannot reach them; they have to continually dredge out the river to allow the ships up as far as Montreal, breaking the ice to prolong the season, and shortening our season in the Maritimes, and spending money so lavishly in that way that they were not able to meet the

conditions which arose after the war. I do not know that they could have met them all but they could have met them in a much more substantial way than they did.

MR. STEWART: Of course, as Maritimers we must admit sometimes our harbors are dredged.

HON. MR. JONES: Are you speaking of Halifax?

"As above suggested the exigency which arose at the time of the war is not present today and has not been present for many years and the Dominion should long ago have abandoned the field of income taxation.

It is hoped that the Commission will be able to make a recommendation that some reasonable adjustment of these income tax collections may be made between the Dominion and the Province."

And as I have added here in that respect, and I had the thought in mind, at any rate it would help the Dominion to provide for the fiscal need of the province. That should have been originally in the brief and I notice I have written it in. Now, at page 29 there is reference to the sales tax.

"In 1920, by the imposition of a sales tax, the Dominion invaded a field of taxation which should have been regarded as belonging to the province. We repeat what has been said in reference to the income tax and there is this further observation to be made.

The Dominion Government collected in 1936 by reason of this sales tax \$77,551,974. The amount was collected from the producer, or manufacturer, or importer of the goods. The custom of the trade is that such producer, manufacturer or importer, as the

"case may be, adds 10% to the price of the goods and that the retailer adds the usual profit of 33 1-3% on the sale of the goods to the consumer. It will thus appear that the collection of seventy-seven odd million dollars costs the consumer in Canada practically 50% more than the yield to the Government. If the goods pass through the hands of the wholesalers or others before reaching the retailer an additional percentage is added to their price by the intermediate person. Our complaint is not that those merchants are acting improperly in adding as above to the price of the goods. They have to pay out the money to the Dominion when they sell the goods in the first instance and it is only reasonable that they should have a return on this money as the goods cost them just that much more. But we wish to point out the extremely expensive method of collecting taxes. It all falls upon the ultimate consumer."

MR. STEWART: The real difficulty with the sales tax is that you make the sales tax a direct tax and at the same time easier collectable. It is not really that the Dominion has invaded the original field.

HON. MR. JONES: Yes, I just want to indicate there how expensive a system that present system is. There may be the difficulty you say, to make it a direct tax.

MR. STEWART: And easily collectable at the same time.

HON. MR. JONES: Well, I think the first part of it would be more difficult to make it a direct tax.

MR. STEWART: I think the Dominion sales tax as at present levied is an indirect tax, is it not?

HON. MR. JONES: Well, I would think so, because it is paid by the person who intends to recoup himself from the ultimate consumer. That is an indirect tax, of course, at present.

MR. STEWART: And it is a very easy one to collect.

HON. MR. JONES: Yes, but a very expensive one, and I think most of the provinces have the sales tax now in some particulars.

MR. STEWART: On gasoline?

HON. MR. JONES: Yes, and this province has a gasoline tax; that is a sales tax. We have an agent to collect it, the person who stands at the place where the gasoline is delivered, and there is no trouble about collecting that.

COMMISSIONER DAFOE: At least two of the provinces, one being your neighbor, the Province of Nova Scotia, rather indicated that they had a good deal of trouble even with the gasoline tax, collecting it directly, and they wanted some recognition that they could collect it indirectly, without getting into trouble.

HON. MR. JONES: They had trouble collecting it from their own agents, perhaps.

COMMISSIONER DAFOE: They preferred to collect it by an indirect method, and they suggested to us that they should be protected in the collection of it by an indirect method.

MR. STEWART: They practically admitted that it was an indirect tax they were collecting.

HON. MR. JONES: The way they were collecting it, perhaps, but if I might ask a question, do you think it was an indirect tax the way they were collecting it? That is a pretty hard question to answer. But in any event, we have

no trouble here, we collect a direct sales tax in respect to gasoline, - we have an agent to collect the tax when he delivers to the customers, and it may be quite possible for a similar direct tax to be collected in regard to other commodities. I do not know. At any rate, this is a very expensive system that they have now of collecting money by sales tax. We collected \$77,000,000 and it cost the people of Canada 50% more, \$125,000,000 to pay it.

MR. STEWART: That is, assuming the mark-up has been actually added at the same proportion as previously.

HON. MR. JONES: What I have indicated in the figures?

MR. STEWART: Yes.

HON. MR. JONES: Of course, assuming that, because that is only my assumption, that the people who handle this thing must have a profit on it the same as a profit on other goods.

MR. STEWART: If that has been the case the wholesaler and retailer are making a larger profit to-day on an equal amount of goods sold.

HON. MR. JONES: Well, I am not wedded to the exact figures, I am just offering it as an illustration because I have not any proof that that is what they do. But I assume that they must add a reasonable profit when they sell goods; each party through whose hands the goods pass must have a profit on the money he pays for them or he could not stay in business.

"If the Province was left in possession of this particular field of taxation, as it should be, only the real amount of the tax would be assessed against the consumer. The expense of administration would be practically the same in both cases.

"The Dominion, notwithstanding that it has appropriated this certain field of taxation as well as the field in relation to the income tax asserts that the Province must exhaust all sources of revenue before asking assistance of the Dominion. The Dominion loses sight of the fact that those sources of revenue are no longer available to the provinces.

If this condition is permitted to continue it is only reasonable that some concession should be made to the provinces to make up to them the loss in revenue which they have sustained and are sustaining in reference to this matter."

That comes back again, after all, if they are going to retain that and do it in that way, that they must come to the assistance of the provinces by conditional subsidies.

COMMISSIONER MACKAY: I do not quite understand this last sentence, Mr. Jones, "make up to them the loss in revenue which they have sustained". How can there be a loss in revenue if the province did not levy that tax, as I do not think they can under our present constitution?

HON. MR. JONES: Well, in drafting that I assumed the province would be able to collect a sales tax, under the constitution, making it a direct tax, and because we have an example of it now in the case of gasoline, I thought it might be extended to other commodities. But we would be quite satisfied if this money of the Dominion could be used so that we will get something back out of it, as I have intimated before, in some form, on the ground of fiscal need. Then Succession Duty:

"The wealth of Ontario and Quebec has been gathered together, principally because of the centralization of industry in those provinces, from all corners of the Dominion. Their position is not un-

"like that of a large mercantile corporation with a head office located, for example, in Toronto. The branches extend to every province. The people all over Canada deal in the goods of the corporation. The profit is made from the consumer of the goods, but this profit finds its way to the central office. The gains of the business are distributed to these owners. This tends to create large estates in the place where the owners reside and these estates are subject to the payment of succession duties in such place.

Succession duty must be regarded as a tax upon the people who contribute to the building up of the estate and it seems only fair that the province in which the contributing parties reside should participate in respect of the succession duty collections.

The head offices of banks, insurance companies and other financial institutions, as well as those companies which deal in the sales of merchandise, are located for the most part in Toronto and Montreal.

The result is that succession duties collected in the Provinces of Ontario and Quebec are in much larger amounts, relatively, than those obtained in the less wealthy provinces. (and since this report was drafted it seems they are getting even more back payments collected.)

"It seems that a Dominion administration of this particular field of taxation would be more satisfactory in some respects than administration by the province. The authorities at Ottawa in having access to income tax returns, through the

"banks and other sources of information, would be better able to determine the proper amount to be paid than would a provincial administration. The Dominion would also be able to provide that the estates pay only one tax instead of, as now, being subject to a succession of tax assessments."

MR. STEWART: In connection with the location of head offices under the Bank Act, I think the reason is that there is a share registered in each province, and the shares are deemed to be located where the shareholder desires to have them registered.

HON. MR. JONES: Yes, there has been an agitation for that. Was that at this session?

MR. STEWART: No, that has been in force for several years now.

HON. MR. JONES: Well, that might apply to banks, but I suggest here that it ought to be applied to other corporations as well, or some such similar plan.

MR. STEWART: Of course, it was easy for the Dominion to do it in connection with the banks on account of their jurisdiction over banking.

HON. MR. JONES: Yes.

"At present every province where shares or securities of corporations are registered exacts a succession duty from the estate irrespective of the place where the deceased is domiciled at the time of his death. This duty is required to be paid before the shares or securities are transferred on the books of the company. In some cases the fees exacted by the several provinces where a deceased person happens to own shares or securities amount to a

"very large proportion of the whole estate and there is immediate necessity that there should be some relief in respect of this burdensome taxation.

If the collection of succession duty is made by the Dominion, it should only be upon a guarantee that the revenues be apportioned to the several provinces on a per capita basis or on some plan which would result in a fair adjustment based upon the foregoing considerations."

One of these considerations is that all the provinces contribute the money, pay this duty, and make up these large estates.

"Our submission is that the duties be collected by the provinces unless some arrangement, based upon the considerations heretofore mentioned can be agreed upon as to the distribution of the amounts collected.

If the provinces are to continue the collection of succession duties an effort should be made to put a stop to the successive assessments through the transfer of shares and securities above referred to."

The next chapter deals with education. I could read a part of that, Mr. Chairman, but I had expected the Director of Education to read it and he would be in a better position to answer any questions.

THE ACTING CHAIRMAN: It is now 4.25 and if you care to wait until to-morrow morning we will adjourn.

HON. MR. JONES: Yes, that is satisfactory, Mr. Chairman.

THE ACTING CHAIRMAN: The Commission will adjourn until 10.30 A.M. to-morrow morning.

4.25 P.M. the Commission adjourned to resume at 10.30 A.M. Thursday, May 19th, 1938.

ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

REPORT OF HEARINGS

REPORTERS:

George Thompson
John Robertson
David Torry



FREDERICTON, NEW BRUNSWICK, MAY 19, 1938

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ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

 FREDERICTON, NEW BRUNSWICK, MAY 19, 1938

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Parliament Buildings, Fredericton, New Brunswick, on Thursday, May 19, 1938, at 10.30 a.m.

PRESENT:

COMMISSIONER SIROIS....THE ACTING CHAIRMAN

| | | |
|------------------------------|---|---------------|
| JOHN W. DAFOE, Esq. |) | |
| DR. ROBERT ALEXANDER MacKAY |) | Commissioners |
| PROFESSOR HENRY FORBES ANGUS |) | |

Commission Counsel:

James McGregor Stewart, K. C.

Secretariat:

| | |
|-------------------------|------------------------------------|
| Alex. Skelton, Esq. | Secretary |
| Adjutor Savard, Esq. | Secrétaire Français |
| R. M. Fowler, Esq. | Legal Secretary to
The Chairman |
| Wilfrid Eggleston, Esq. | Assistant to the
Secretary |

FOR THE GOVERNMENT OF NEW BRUNSWICK:

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|------------------------------|--|
| Hon. A. Allison Dysart, K.C. | Premier, Minister of
Public Works |
| Hon. J. B. McNairn, K.C. | Attorney-General |
| Hon. A. P. Paterson | President, Executive
Council, Minister of
Education and of
Federal and Municipal
Relations |
| Hon. A. C. Taylor | Minister of Agriculture |
| Hon. F. W. Pirie | Minister of Lands
And Mines |
| Hon. W. S. Anderson | Chairman of the
N.B. Electric Commission |
| Hon. W. P. Jones, K.C. | Counsel |
| Mr. J. H. Conlon | Director of Federal
And Municipal Relations |
| Hon. C. T. Richard | Provincial Secretary-
Treasurer |

Parliament Buildings,
Fredericton, New Brunswick,
May 19th., 1938.

MORNING SESSION

At 10.30 A.M. the Commission met.

THE ACTING CHAIRMAN: I need not repeat what I said yesterday, Mr. Jones, about your keeping your seat if you wish.

HON. MR. JONES: Yes, Mr. Chairman, thank you. I might avail myself of the opportunity part of the time, but I feel more at home standing up. I will ask Dr. Peacock to begin with the question of education. Dr. Peacock is Director of Education for the province.

THE ACTING CHAIRMAN: You will put questions to Mr. Peacock as you did to Mr. Byron, will you?

HON. MR. JONES: I think Mr. Peacock might read that part of the brief relating to education, then he could make any explanation which might be needed as he goes along.

MR. F. PEACOCK, M.A., Director of Educational Services, was called.

DR. PEACOCK: Mr. Chairman and Gentlemen: This first statement in connection with education is to the effect that the present free school system was established in 1871. Of course, many Acts have been passed and the Education Act today is quite different, but the basic free school system was established on that date. The next paragraph reads,

" The unit of school administration for elementary schools was the school district, except in urban communities where the unit was the town, city or municipality. There was a time in the history of the Province when the administration of education by the small rural school section or school district was suited to the needs of the community. The country was sparsely settled, educ-

ational needs were relatively simple, being usually confined to reading, writing and arithmetic. Roads were few and transportation facilities were limited to the horse and wagon. The schoolhouse was generally located so that it would be reasonably within walking distance of all pupils of the district.

Many of these conditions have now changed materially and the above method of administering education is now inadequate, except in those parts of the Province where pioneer conditions still prevail. People in the rural districts have become more advanced. Roads are improving and motor busses provide quicker transportation."

I should like, in passing, to point out the essentially rural nature of our educational system. Rural schools predominate, numerically, and of our 2,700 odd teachers, 1,933 are classified in the Dominion statistics as rural and only 702 as urban. Of this 1,933, 1,311 are teaching in one-room schools. This means that, roughly speaking, half of all the teachers in the province are in one-room country schools. Then, in so far as our school population is concerned, we have roughly 90,000 students in our public schools. By public schools I mean the whole scheme from Grade I through high school, that is the elementary and secondary school systems. Of these 90,000 pupils, 60,000 are in rural schools and, of course, 30,000 are in the urban schools. This is the set-up which we have. So far as these little districts are concerned, it is rather ridiculous, perhaps, but in one county there are approximately 136 boards of directors administering about \$130,000 of school funds. One feels that these 143 teachers must be very well directed from the standpoint of governors. Of course, there would be for each one a secretary who would

be receiving something. The overhead of the situation impresses one definitely.

Then there is the question of the economic weakness of these units. These were brought out in a statement made to the Commission on Education in 1932. Our municipalities are listed and the average school rate is set out together with the range of the rate. If I might, I would like, in order to get the picture of the economic situation before you, to read these figures. The figures are approximately the same today. Restigouche County has an average rate for schools of 33.9 mills and a range of 6.5 to 113.5. Gloucester has 45 mills, I will leave off the fraction with a range of 7 to 116. Northumberland has an average rate of 27 mills with a range of 6 to 51. Kent has an average rate of 31 mills with a range of 9 to 97. Westmorland has an average rate of 21 mills, with a range of 4 to 51. Albert has an average rate of 45 mills with a range of 7 to 76. Saint John had a lower rate of 20 mills with a range of 6 to 40. Charlotte had a rate of 28 mills with a range of 7 to 53. King's has an average rate of 26 mills with a range of 6 to 66. The rate for Queen's was 30 mills with a range of 11 to 81. Sunbury has an average rate of 31 mills with a range of 11 to 97. York has an average rate of 19 mills with a range of 4 to 59. Carlton has an average rate of 24 with a range of 8 to 82. The average rate for Victoria was 37 with a range of 6 to 112. The County of Madawaska has an average rate of 38 with a range of .5, which is the lowest, to 81. The mean rate or average for the whole province was 28.99 mills with a range of .5 to 116.5. This indicates, of course, two things. It indicates the very high rate which is being paid even for the poor schools which we have, comparatively speaking, and also the wide variation or inequality of the tax burden.

MR. STEWART: Dr. Peacock, are those mill rates based upon the statutory assessment or on the local assessment?

DR. PEACOCK: They are based on the local, parish assessment. Now, that indicates a little bit of the picture from a financial standpoint. The remainder of that question, I will leave as I understand it will be presented later. I wish to say a few words in order to give you the picture from the standpoint of ~~assessment~~ which is a ~~very~~ difficult matter to measure. One measure which might be applied is to find out what the proportion is of our children who are getting along and securing a secondary education. This indicates the progress our children are making through the grades. I have this information here in two short lists, one representing the urban situation which is for the first grades, at least, as it should be. In a system where you have eleven grades, if the pupils are properly distributed through the grades, you should have 9 or 10 per cent of your school population in each division. These are the figures for urban New Brunswick for the last year for which we could obtain the complete figures which was 1936. In urban schools, in grade I, there was 11 per cent of the pupils. In Grade II there was 9.7; in Grade III, 10.2; in Grade IV, 10.5. There was 9.9 per cent of the pupils in Grade V, 10.9 in Grade VI, 9.4 in Grade VII, 9.3 in Grade VIII, and it is at this point that there is a falling off. I shall refer to this a little later on. In Grade IX there was only 7.3 per cent of the pupils, in Grade X, 5.7 per cent and in Grade XI, 4.2 per cent. Only 17.2 per cent of the pupils were in these three grades. In this City of Fredericton which represents one of our best systems, we have about 30 per cent of the school population in the secondary schools. It has a con-

siderably better average than the province as a whole. This gives a picture of the urban situation, but it is the rural situation which is causing us special concern. To me the figures are very discouraging because we find we have 17.6 per cent of our school pupils in rural New Brunswick in Grade I. The pupils are not staying in school very long, you see. If you take certain of the counties you will find a very material increase over that figure, as will be pointed out in some of the briefs which have been filed with reference to certain of our rural counties. I will just read the complete list of figures setting out the rural situation.

PERCENTAGES IN NEW BRUNSWICK GRADED
AND UNGRADED SCHOOLS - 1936

| GRADES | RURAL |
|--------|-------|
| I | 17.6% |
| II | 12.7 |
| III | 12.6 |
| IV | 12.3 |
| V | 11.3 |
| VI | 10.2 |
| VII | 7.9 |
| VIII | 8.7 |
| IX | 2.4 |
| X | 1.1 |
| XI | .7 |

We find that there was only 4.2 per cent of the pupils in our High School Grades. These figures would probably be modified Mr. Chairman, due to the fact that we have been sending some of the pupils out of the country into the towns for their highschool education. The figures for the urban area would be increased by the attendance of some of the rural pupils. For this reason, the urban figures are a

little better than they should be and the rural figures are a little poorer than they should be. However, I think, that our rural counties, at least some of them, are truly represented by that figure of 4.2 per cent².

COMMISSIONER ANGUS: Do you explain that by the rural children leaving school earlier or is it due to the fact that they are retarded to a certain extent?

DR. PEACOCK: Both of those elements enter into the question. There is probably a certain amount of retardation in both rural and urban schools, I believe, for certain reasons. Perhaps the inexperience of the teachers would be one reason for retardation. This would be greater in rural schools than in urban. However, the children do leave school in large numbers in the early grades. This type of picture, I am sorry to say, is too prevalent in this province, but I expect we need to face the facts of the situation and endeavour to get improvement if that is possible.

Now, the next paragraph refers to the changing situation. This matter of the change in the condition of things was illustrated in a little skit which I saw the other day in the paper. It seems that a boy in his teens was talking to his father and grandfather. The grandfather said, "I used to be satisfied, when I was young, with a gig and a girl." The boy's father said, "Well, when I was your age I wanted a flivver with my flapper." The boy himself said, "I want a ~~flivver~~ to take my jane." This is indicative of the fact that our life is growing in complexity. The horse and gig will get you home, even if you do not pay very much attention to the reins and direction, but with a car it is different. Of course, if you are in a 'plane, it is fatal. If the proper education and direction are not available which our modern civilization seems to demand,

there is bound to be a change. It seems that the old one track system of education was adequate in its day, as was pointed out, but it does not meet the situation today. In the old days the object of the educational system seemed to be that those who managed to survive grade eleven might enter college, that seemed to be the focal point. At that time the scheme of things was not democratic, it did not give equal opportunity and it did not provide equal educational advantages. The grades were the same, but the system did not take account of the individual differences which we recognize. This is a subject which experimental psychology has emphasized tremendously in the past twenty or twenty-five years. The system which is adequate to our present needs has very different characteristics from that which was regarded as adequate twenty-five or thirty years ago. It consists, as we know, of the elementary phases, but the first of these grades is given over to things of a developmental nature. Then there is the intermediate or adolescent period which is the period for secondary education and extends for three or four years. Now, the democratic idea there is that in the intermediate stage between the ages of twelve and fifteen, a pupil will be given an opportunity to discover his likes and dislikes and will be given guidance in shaping his future. This is done in order that the boy who should be a bootblack will get into some line of that kind and the boy who should be a lawyer will be able to practice law. Similarly, the boy who should be a teacher, farmer or businessman will be guided in this direction and so prevent square pegs being put into round holes. I feel that there is a great loss in our work in New Brunswick because we do not do the proper sort of classifying. Our system of education was fine in the old days, but, as I say, we need a modern one now. Of course, the thing is world wide in its application, so far as I can

see. I am only making it plain that we need a democratic system of education in a democratic country. The old path led only to the university which would be trodden by not more than ten per cent. There ought to be two paths, one leading to the university and one path by which a boy will get a good sound, general education, which will enable him to go into business. In addition, there should be some training which will enable a boy to land on his feet. He ought to be assured of the same possibilities for success in the field of agriculture as well as in the artistic field. This new system of education is a comparatively complex system and rather expensive. It is much more expensive than the earlier system which was initiated in 1871 in New Brunswick. Quoting from the brief:

" Moreover, educational requirements are no longer simple. Higher standards are required in the qualification of teachers. Detailed supervision is becoming more and more necessary. Provision for individual differences of ability in pupils is being demanded. Adequate equipment and instruction in physical training, home economics, vocational education and proper medical, dental and library services are necessary parts of an educational system. All these services and many others are quite impossible or hopelessly inefficient in the small one-teacher school districts.

Under present conditions rural schools have less efficient teachers but are costly and uneconomical as the class is necessarily small."

The difficulty in classification and serving these rural areas is brought out by the fact that of these 1,311 one-roomed rural schools, there are 110 with an enrolment of less than ten pupils. By the very nature of things,

this is an expensive set-up, but it is necessary under the present circumstances. It is an illustration of the inefficiency which must exist. On the other hand, there are eighty-two of those schools which have an enrolment of over sixty. Of course, there is another element of inefficiency and is an illustration of the difficulty in organizing these schools in the most advantageous position. An overcrowded class might make for just as much inefficiency as a very small class. Quoting from the brief:

" If a thorough program including transportation were arranged in districts where transportation is practicable, scores of one room schools would be closed and a much more valuable education provided in consolidated rural schools."

I might point out that with reorganization, we could perhaps effect some economies, but I think it is unwise for us to conclude that the proper type of reorganization will result in a lessening of the cost of education. It will bring about economies, but there are certain points at which we will have to spend more money.

" The present system results in extreme and unfair inequalities of opportunity. There are school districts in New Brunswick having an assessment valuation of less than \$5,000 per teacher."

We have 427 school districts and 126 of those are receiving some form of poor aid. A very poor one, in 1936, may receive, under our provincial plan, up as high as \$316 per year. This next paragraph points out that the cost of schools in rural communities is borne by the province, the municipalities, and the local school districts. Roughly speaking, for the last year, the province spent \$687,000 on the public schools, while the municipalities spent \$250,000. The county grants for the local districts

amounted to \$2,400,000. Quoting from the brief:

" During late years it has been found that many of these small districts have been unable to provide for their share of the expense and many schools have been closed."

Not many schools have been closed completely, but quite a number have been closed for part of the year. There have been very drastic economies effected which have cut the efficiency of the schools tremendously. The point which is in our minds is that we must reorganize our rural schools. I am not complaining at all, it was quite necessary as has been pointed out, but, it is necessary to reorganize if we are to have social equality in our province. I do not think it is good for one part of the province to be high-hatting the other. It is not good for those who are better educated to look down upon the rural people and it is certainly not good for the rural people to be suffering from an inferiority complex. It is not good for democracy. I say, therefore, we must face the question of reorganization in the interests of democracy and the goodwill of the people of the province as a whole. The next paragraph reads as follows:

" Owing to the difficulty which has been experienced in finding a market for what the farmer produces, it has been impossible for the man on the land to pay taxes in respect of all the services to which he must now contribute. Through excessive freight rates he is not able to reach the markets of Canada in competition with farmers close to those markets. Through the customs tariff in the United States he is debarred from the immense natural market of the Maritime Provinces."

This, I believe, will be developed in connection with another phase of the submission. The next paragraph deals with the historical set-up which may be interesting from the standpoint of getting the background of what has taken place since 1871.

" When the Free Schools Act was passed in 1871, all units and departments of the educational system were placed under the control of the Board of Education which was composed of the Lieutenant-Governor, the Members of the Executive Council, the President of the University of New Brunswick, and the Chief Superintendent of Education.

Then the courses prescribed were purely academic. Since that time three separate and distinct units have been added. Physical Training was added to the subjects required for teachers' license and prescribed as part of the daily requirements in all the public schools of the Province in the year 1911."

(Page 2633 follows)

"This branch of education was placed under the local committee of the Strathcona Trust for the Province of New Brunswick by an agreement entered into between the education authorities of New Brunswick and the Militia Department of Canada, February 21, 1910. It was further agreed that the Militia Department would provide instructors to train the teachers until such time as the Department of Education was prepared to undertake the work."

Now, a study is being made at the present time of a new curriculum for the province, and this question of physical training has already received consideration by a committee. While no submission of their report has been made to the Minister or to the government, I think it is fair to say that the Curriculum Committee feels that this clause "That the Militia Department would provide instructors to train the teachers until such time as the Department of Education was prepared to undertake the work." - the Committee on curriculum is of the opinion that that should be done, and that the physical education should be a part of the health education programme of the province which, of course, in all forward-looking communities is receiving special consideration to-day. This will require some money, of course, and that may not be available, but it is the consensus of opinion that that would be greatly in the interest of education in New Brunswick.

"In order to arouse in the children of the rural schools an appreciation of their environment and a greater and more intelligent interest in agricultural matters a Department of Elementary Agricultural Education was organized in 1913. A nature study course was prescribed for grades one to eight and a

"director was appointed who was responsible to the Minister of Agriculture."

For lack of money that service has been discontinued. I will have more to say about that at another point.

"With the introduction of vocational education and the passing of the Vocational Act in 1918, an additional department was established under a Vocational Education Board with a provincial director of Vocational Education under the direction of and responsible to this Board. In localities where vocational education was introduced, it was under the control not of the local School Board but of a local Vocational Committee with a local director."

That local situation is perhaps not quite clearly stated there. The local situation is unified under the school board. The Committee in charge of Vocational Education is a sub-committee of the school board, but it must have upon it one representative of industry, -- employers, and one representative of labor and one representative of women's work.

Now, the next paragraph is not quite conclusive, perhaps.

"As new departments were introduced control became more and more decentralized with the result that our educational system now consists of four units, separate and distinct under four different bodies directed by four executive heads independent of one another; academic; under the Chief Superintendent of Education; Vocational, under the Director of Vocational Education; Agricultural, under the Director of Elementary ~~Agricultural~~ Education and

"Physical Training under the direction of the District Cadet Officer."

The next paragraph, however, points out that that situation does not exist to-day, that the whole system has been unified.

"In 1936 a Department of Education, headed by a Minister of the Crown, was established in New Brunswick. Under that department steps are being taken toward a new program of educational reform, by which the educational system of this province may be on a par with that which obtains in other provinces."

Steps have been taken to co-ordinate and unify the present system, and there are four or five points which might be mentioned in connection with a programme for a gradual reform or change or development, which may be worked out, - which we hope may be worked out, but which will cost money. In the first place, the teacher training situation is receiving attention, and already some additional money has been spent, because it is felt that with the demands in our schools increasing there will be an increased demand for better trained teachers. That, of course, carries with it the improved salary situation which we must face and which I think will be dealt with in another brief. Then there is the question of school supervision, the situation that I referred to in the matter of accomplishment in the schools, and so on. It can be proved very largely through the improved teacher and more especially and directly through improved supervision. Our school inspectors have had from 250 to 300 schools to inspect, and they have at the most only 200 working days in the year when schools are open, and it is impossible for them to do constructive supervision

and so the number should be increased. The accepted number which one man can effectively and constructively supervise and develop is 100. That would mean instead of nine inspectors as we had up to a year ago we should have 20 or 25. We hope to reach the point where we will have one for each county, and thus improve that particular situation, at considerable cost.

Then there is the question of the larger unit of administration. We must reach some form of larger unit of administration. It appears to us that the improvement in rural education waits upon this re-organization and the introduction of some form of larger unit, which will mean the development of transportation of pupils, the consolidation of schools, the improvement of courses, the offering of different courses. For instance, in our rural schools we have practically no modern high schools. It is true that we have superior schools, where certain high school grades may be taught if the teacher has time after teaching the lower grades, but there is no adequate rural high school system in New Brunswick which would give the rural pupils the opportunity for the intermediate and college courses and for the adequate and proper high school courses of which I spoke, to include the collegiate high schools and the business high schools and the high school for girls. That, of course, involves guidance, and involves technical training on the part of teachers, and therefore involves a higher class of teacher than we now have in the country. Then of course there is the great field of adult education which is so much in the public eye to-day, and which has such tremendous possibilities. We no longer think of education as being completed at the age of seventeen, or at any other age, but rather that it is a continuous pro-

cess and that there should be facilities in the country; study clubs, library services, and public lectures, and adult gatherings in the form of educational festivals, and that sort of thing, to keep the people in the rural and urban areas alive and growing, to equalize educational opportunity, and economic questions to be studied, co-operative marketing, and all that type of study. The whole field of adult education is one that will bear a great deal of study and development, and it will cost something to have it developed. Those are some of the points, Mr. Chairman, to give an idea of what is projected and not fully adopted but is hoped for in New Brunswick.

"In order that this design may be carried out it is our submission that it will be necessary to obtain further moneys which may be devoted to that end.

The following is an estimate of the additional annual expenditures required to give to New Brunswick a service corresponding to that of the Province of Ontario."

Mr. Chairman, if you will turn to page 36 you will find that Ontario spends \$83.33 per pupil in the public schools per year. You will find that New Brunswick spends less than half of that, which would mean that in order to give New Brunswick a service like they have in Ontario, as costly as in Ontario, we would have to add not the paltry sum of \$600,000. that is so modestly suggested here, but \$3,600,000. It is an astounding thing, it is a thing to set us thinking in the smaller provinces of Canada, that we have in Ontario closely followed by two or three other provinces, spending twice as much per child on elementary and secondary schooling. It seems most significant. It makes us wonder about

our future, but modestly it has been suggested in this brief that something could be done in the way of first establishing minimum standards in general education, including the training of teachers, and there would be required annually, in addition to the amounts which the province has now devoted to that purpose the sum of \$375,000. That is for the general elementary education of the country. The minimum standard there, of course, would be established by approved courses and approved teachers. We are paying our teachers so poorly in New Brunswick that we cannot expect to get a very much higher quality of service without considerable increase in their salaries. Well, then, for the purpose of a system of rural high school there would be required \$75,000. annually. Now, that is ridiculously small when you analyze it. What we think of as one rural high school for each county would be provided for in a sort of way by such an expenditure. Fifteen high schools would not adequately supply our rural people, and yet that is all which could be established with that \$75,000. Then for the maintenance of these, the amount of \$125,000. would be only \$8,333. each. I doubt if that would pay even for the transportation if all these fifteen schools, one in each county, were established. So that those figures are very small and they are only reasonable, let me say, when we think that the districts themselves would be willing to add to their present higher rate to supplement those moneys. Then the question of library service and visual aids service; these services would take at least \$25,000. That is a phase of our educational system. I was going to say I am ashamed to suggest this figure. We have no library service for our schools or for our communities except in the towns and cities. The bulk of the people are bereft

of the privileges of the modern library and surely there is no better agency for education, either in the schools or for the public at large, than a properly administered library scheme. With that modest sum of \$25,000. Nova Scotia seems to have got ahead of us, and of course, Ontario has passed us. This figure of \$25,000. would be smiled at by the people who are associated with the library work of those provinces, I would think.

That is a brief picture of some things that might be done, and the figures attached, which, although inadequate, would give some help and some impetus to these important and vital schemes.

"This province, considering the value of education to the people, has endeavoured to maintain a system as efficiently as possible. It has devoted funds which should have been applied to other purposes of administration and it is felt that the Dominion should make grants-in-aid to the Province covering, at least in part, provision for the above mentioned services.

The Dominion Parliament has recognized the need of the Province by making temporary grants for the purpose of agricultural and technical education."

And that matter of temporary grants is very serious.

"These grants should have been continued and extended to other matters. The effect of temporary grants was to encourage the establishment of facilities and upon the withdrawal of the grants the Province was placed in a position where it had to abandon the particular services for which these grants were intended or to continue the same with the limited resources

"available for the purpose. The province has endeavoured, at the sacrifice of other needs, to keep up, so far as possible, those necessary public services. "

I will refer to that at another point, leaving it there for the time. Then the status of New Brunswick in the matter of finance, and so on:

"That New Brunswick is not in a position, as compared with the people of other provinces, to carry on in this connection is shown by the following tables."

The significant figure in the first table is that we have \$67,124. behind each classroom, whereas other provinces have twice that and nearly three times that valuation for the most part. Only two provinces have less. This shows a fundamental economic situation which is not strong.

MR. STEWART: Do you not think, Dr. Peacock, there are other elements which contribute to that apparent disparity? Take, for instance, British Columbia; there the urban population is a very large proportion of its total, the City of Vancouver not much short of 50%. The city valuations would be a great deal higher than the rural valuations. It would require a great deal of analysis to actually indicate the value behind the classrooms; it would have to be both urban and rural to give a correct picture.

DR. PEACOCK: Yes, I would think there would be something required there. This merely indicates very roughly the situation and the fact that other provinces are more rural, and that rural valuations, tending to be higher, would affect the situation. Doubtless the figure would come up a bit on the full valuation. It would not be raised to a parallel, I think the difference would still be a wide

difference because you see the difference between British Columbia and New Brunswick is almost three times but you would not have as great a disparity as that, possibly.

Then the expenditure per pupil, I have already referred to, \$41.08, which is very low. I was checking up some of our rural accounts the other day and I know it was very much lower than that in some of the counties. It ran down to \$10.00 or \$12.00 in some of the counties, and yet the rates continued to be high. The tendency in those poorer schools is to have very high rates because of the low valuations. Then the average annual salary of teachers, that is a significant figure, only \$509.00, including all rural teachers. Now, that takes in a number of teachers who are getting fairly good salaries in certain rural schools, and if you take the 1311 teachers that are in the one-roomed schools you will find that the average will drop below \$500.00, and if you compare that with the salaries paid in the Western Provinces, -- British Columbia, of course, heads the list with \$949.00, you can see a very marked disparity there, which does not encourage one to feel that the efficiency in our schools is as great as it should be. Or perhaps I should put it the other way, that the rewards are not as great as they should be for the services which are being rendered.

The percentage of provincial government expenditure on education compared to the total expenditure on education, Prince Edward Island for instance, pays 65.8% of the cost of education. Well, we know their system is practically a provincial system and that therefore is not a fair comparison. The other figures, British Columbia 29.9%, Nova Scotia 25.8%, and New Brunswick 17.3%, and Ontario is 12%. Our revenues are so limited, other things come in that seem to be more

urgent than education; bread and butter is more urgent than learning after all. But with the small revenue we have it is very difficult for our government to give as high a percentage as would be the case if they had larger revenues to work with, and it is felt that they have done very well with the revenues they have to give 17.3% for education, considering the demands pressing.

The percentage of provincial government expenditure on education compared to the total provincial expenditure for all purposes; well, there again the same arguments hold. New Brunswick is down to 9.2% of our total expenditures for education. The fact is that this has been increased in the last ten years; it has gone up 13% and even in spite of the other demands the province is recognizing the importance of education and the tendency is for this to move up.

MR. STEWART: Does not the total on page 37 rather indicate that the provincial government, - the government of New Brunswick, has emphasized other services rather than education?

DR. PEACOCK: Well, one might infer that if you did not make a study of the situation and observe that the total expenditure for education has constantly increased. The fact is that certain services have come in, for instance, the health service, a very important service. In the early days it was not there and it is coming in and taking its share, and of course, other services in the same category with education have come in. That inference might very well be drawn but when you look into the situation and study the whole picture I do not believe it can be concluded that the province has been unduly unmindful of our educational needs.

Well, that gives us something of the picture of the

weakness of the financial situation, - call it weak or strong, it is there.

"That this Province, notwithstanding its efforts, has failed to create and maintain a proper standing in education is indicated by the following: -

(a) Illiteracy is the highest in Canada. Over fifteen years of age there are 20,626 people or 7.14% of the population who cannot read or write."

COMMISSIONER DAFOE: Dr. Peacock, has that been a continuing condition since Confederation or is it a recent development?

DR. PEACOCK: I am not able to answer that definitely. My impression is that it is not improving, that it has rather increased, but for the last three census figures at least we have been in a notorious position with reference to this question of illiteracy. I have the figures for the last three census in my mind, and there has not been a great change in the last thirty years, so that practically it has been holding for thirty years. Now, what about that question of illiteracy? Here is a letter that came in to the Minister the other day; a poor district, valuation of \$3,000., a school house half built, 34 pupils not in schools, will you help us. A sort of S.O.S. call coming to the government. Well, he just had to say that there are so many of these that we would only have to go by our regulations and we would be in tremendous difficulty, but there you are. Now, what about the man with a family in that district? Should we say that it is the man's own concern if he has a family in that district? Should this province say that when under our constitution it is charged with

that service? Is it a good thing for this Dominion to have districts like that existing? Is it a healthy sign for this province and the nation, and should these undeveloped areas be developed? Do they want the settlers out there? That is the question. It is a very difficult question, and one feels perhaps that these people should run to the towns, if they can, but there would be still greater difficulties there, too many of them have gone to town in the past. Yet there is a reality to face, only one life to live in a place where there is no school, and growing up in illiteracy in too many cases. Our figures show that we have districts where people are growing up in illiteracy, and we believe that this is a national concern. We feel that it is a very serious matter, and that a definite drive should be made on that sort of thing, to eliminate the condition; and that we cannot allow the situation to continue.

Then the next point, that there are no rural high schools. Now, that is not exactly a true statement; it is true in the sense that there are no modern high schools of the type that I have suggested as being modern. Historically we have had a very good scheme. That is, when our Act was passed in 1871 there was a plan by means of which there was to be a county grammar school established in every county, to which all the pupils of high school standing could go, tuition free, and that in every parish in every county there would be a superior school, which would also take care of high school work, perhaps not completely, but which would bring high schools nearer home. Now, that scheme has recently broken down completely. That is to say, the pressure on the superior schools in a great many of the places in the county, - it has cost the school boards in those districts, who had to receive these people tuition free, and received

in compensation therefor \$100.00 on the principle's salary. That is, the grant to the ordinary teacher would be \$175.00, but the grant to the principle in this superior school would be \$275.00, and for that \$100.00 it was felt when the Act was passed that all the children of the parish of high school age could be received in that parish high school. Well, similarly in every county grammar school there is an added grant of \$250.00 for the grammar school teachers, and only four such teachers may be employed. So that only \$1000.00 was given by the government to the community in order to induce them to give the advantage of a high school training to the pupils of the county. Well, the pressure on those schools, the increased number attending high schools, has caused the superior schools, or quite a number of them, to forego their grant and to charge tuition. Therefore that scheme has broken down, and the grammar schools are facing the same situation. We received the news that they are feeling the burden, and some change will doubtless have to be made in the near future.

Now then, is high school education of some type the birthright of every citizen of New Brunswick? We feel that we cannot face our young people in New Brunswick with a shorter programme; that high school education, of some type, of an appropriate type, a good general education by all, and some special training, is necessary. We feel that there is the necessity of a minimum standard for our rural areas as well as for our urban areas, and yet in some counties less than 2% are getting it to-day, and in some counties if boys are born there they have less than a fifty-fifty chance of ever getting into grade seven.

We have got to spend money there. We have got to do something there if we are going to do justice to the rising generation. It appears the rural school from the standpoint of this service seems to be at, I was going to say, the ox-cart stage. It is where it was forty or fifty years ago, it has not kept pace. It is perhaps as good as it was then but certainly by comparison it is much poorer today.

Then there is the small secondary school enrolment we have. That is covering the whole province. The existing schools are not completely democratic. That is, they have not worked out various courses that would meet the requirements of the various groups. They have been more especially favoring those who wanted to go into professional life. That is an historical sort of development.

I would like to call attention to the measure of the secondary school attendance in New Brunswick compared with that in some of the other provinces. This to me is an indication that we have got to do something, because in New Brunswick with our enrolment of 92,000, we have in secondary schools only 8,462 pupils. That is the whole of New Brunswick. That means 9.1% of our school population in secondary education. That is a lot better than it was when the Schools Act was passed, but it is not good enough for today because we have in Nova Scotia, a sister province, not very far away, 14.6% of the school population in the secondary grade. And then we have, in Ontario, that is not so very far away, 19.4% of the school population in secondary grades. And we have in British Columbia, that is a little farther away, 19.3%. 9.1% on the one hand, in New Brunswick, receiving a secondary education, and

19.8% in the West receiving that great advantage which will effect the life of the boy and girl, and the progress of the community most vitally.

New Brunswick is over taxed. The average school tax, as I pointed out, is 28.9 mills and this ranges from .5 to 116. Our per capita wealth is \$1,739 as compared with the total that in one other province at least is double.

"The question of education is of national importance. Equality of education opportunity should obtain throughout the nation."

I do not believe it is good to have one member of a family feeling he is not getting the proper deal in education. I do not believe it is good to have one county in the province feeling it is not getting a square break in connection with this great service. And surely it is not good for a nation to have a province with a low standard in this connection, too great a disparity. Dissatisfaction and dissension and worse might conceivably arise from such condition.

MR.STEWART: But, Dr. Peacock, is there not greater disparity of educational opportunity within New Brunswick than there is as between the nine provinces taken as a whole, as things exist today?

DR. PEACOCK: Well, we have, take for instance our tax rate, we have a very great variation there.

MR.STEWART: In the public school.

DR.PEACOCK: You would have extreme cases, of course, it would not represent the whole situation. There is all too great a disparity and we are making every effort to change that. We are moving as quickly as we can. We feel that charge, that there is disparity, between different municipalities in the different districts is something that we should not tolerate. And if it is

wrong in New Brunswick it surely is wrong in the other connection too. It is a matter of principle that runs right through.

MR.STEWART: Do you think there is any possibility of bringing about equalization of educational opportunity throughout any one province?

DR.PEACOCK: Well, not 100%, but perhaps we could do it 90 to 95%.

MR.STEWART: You think that could be accomplished?

DR.PEACOCK: I think 90% could be done. And that does not mean you would bring the same course into every community. In education, I think, the same as in almost everything in our broad country, our educational policy and program should be adapted to the community, and the program that would be adapted to a fishing community would perhaps be not the best program that would fit into an industrial community. But you can have corresponding programs that would be regarded as being equally efficient and bring equal opportunity, I think, to the extent of 90% of our children. Agricultural education would fit in, to a very large degree, in many of our communities and it would certainly be a great boon to have the type of education to which I will refer presently brought within the range of our rural dwellers.

MR.STEWART: The fiscal side of the question would require a good deal of levelling up, would it not? Your range is from half a mill to 116 mills per school section. That would call for a good deal of levelling up, to have equal burden and equal opportunity in every school section.

DR.PEACOCK: I think that is more simple from the standpoint of bookkeeping and working it out than it

is from the other standpoint. For instance if you could conceivably have such a situation of having a county unit, we would only have fifteen units in the province of New Brunswick and it would not be a great while, with an increased fund, the Government survey could be adjusted to a scale, and we could get to the question of equalizing the burden if we would take but two or three fundamental steps,

MR.STEWART: Is there not a second obstacle due to the fact that education was assigned exclusively to the jurisdiction of the province under the scheme of Confederation?

DR.PEACOCK: You are thinking of the objection for the federal aid?

MR.STEWART: Yes.

DR.PEACOCK: May I leave that and refer to it a little later?

The question of education is of national importance. There is something to me very fundamental in that. What is our greatest resource? Surely it is the human capacities that we have. These can only be developed during the lifetime of the individual. If we have a coal mine it will remain for the next generation, if nothing happens. The forest may get burned but we are taking means of protecting that. But the life contribution of the individual is like the water that runs down the river and won't turn the mill after it passes. Of course the bigger theory that it will land in the clouds again and do the job over again is a little beyond the scope of this consideration. But in our generation and the immediately succeeding generation there is a tremendous implication in the call that the young people and the older people are making to us implicitly for a chance to develop their faculties and to live a fuller life. I think it is a tremendously serious

concern to the province and if it is a big thing in the province it certainly is to the whole nation. It would be a great asset to the nation to have a province fully develop all the resources and contrarily it is a liability if we fail

THE ACTING CHAIRMAN: I think we will agree with you on that point, Dr. Peacock, and you need not develop it. We are in agreement.

DR. PEACOCK: Then, the burden of taxation should be distributed as evenly as possible throughout the nation otherwise there will not be equality of opportunity.

That has been developed.

Then, the fiscal weaknesses are also referred to there by the lack of money in the classroom, and this has been commented upon.

Now, how shall we do it?

"Most civilized nations have sought to equalize educational opportunity and educational burdens by grants from national treasuries.

Precedents for federal grants in Canada have been established."

Without offence and in all sincerity I feel that the administration of federal grants for education in British Columbia has been something of a national misfortune. Education is a service that cannot go by fits and starts. It is a long job, it is a far-reaching situation, and you have got to look ahead in order to land at a certain point over a period of years. If you have your educational policy set up for a year and broken down, or set up for ten years and broken down, you have a situation that is essentially weak and ineffective; and that is what has happened in connection with federal grants. They have come, and by coming have established the precedent that it is possible for

federal money to be used under our constitution, to be administered, of course, through provincial agency, to be conditioned if you like, to be inspected, to be checked, but the administration has been worked out and in connection with our agricultural education and in connection with our technical education we had set up a working scheme in which we were all happy, the provinces were glad to co-operate with the Dominion and the Dominion appeared to be, their money got such splendid results for the short periods, even they seemed to be quite happy. But then there came the break and surely it was not good national building. If we as a province were responsible in any sense for that lack of continuity I think we were not doing the right thing by our children by the educational situation.

Well, now, the history of **agricultural** instruction ---

COMMISSIONER DAFOE: Dr. Peacock, you recall, I do not, whether when these grants were given for a limited period of time and for particular purposes, whether or not it was stressed that they were for ten year periods and there was no probability of their being enlarged and they were simply for the purpose of giving the provinces a start?

DR. PEACOCK: I recall that we asked that question from the province of New Brunswick at a Canadian meeting in Ottawa in 1913.

COMMISSIONER DAFOE: It was just after they began?

DR. PEACOCK: That was just at the time. The Robertson Commission had been appointed in 1910 to study the whole question of technical education and had made such a fine contribution, recommending, of course, much more generous grants than were provided, but the Dominion Education Association met in Ottawa in the fall

of 1913 to study that report and it was just about a month after that that the Educational Act was passed. And when that question was asked it was not answered, but the pious hope was expressed by those friends who were representing the Government that it would be a permanent, continuous thing. But it was felt it would be more easily procured if it were fixed as far as time limit is concerned.

Now, as far as this province is concerned when consent was asked by our then premier, which I think was Mr. Fleming of the day, as to whether this province would agree to co-operate in the technical education and administer the federal funds on a fifty-fifty basis, there was no time limit set whatever in that communication and that seemed to me to be a fundamental thing. And I was rather hopeful and sanguine, too sanguine as history has shown. Well, it was felt by some that you should not look a gift horse too closely in the mouth, and it was just allowed to slide on, and then governments changed and we had a disjointed situation which was very unfortunate. This became law in 1913, expired in 1923. Now, what did it do for New Brunswick? The Minister of Agriculture, if he were here, could add to this story, but it did do two or three very fine things. Through it we set up a system of district representatives and had a fine scheme going, and when the Act disappeared the province shouldered that. And one of the other things was, there were two schools that grew out of it, one did not grow out of it, but take the case of the Woodstock school or the Carleton County school, and then the school at Sussex was built out of this fund, as I understand it. And these schools illustrate the danger and the disparity that has come to us. The Woodstock school just by good fortune or something was taken over

by the County of Carleton and the town of Woodstock and they have run it in a very fine way, on a shoestring, teachers taking half salary and working as missionaries just because of the possibilities that were there and love of the work. The other day, about a month ago, the head of that school, who has come through this strenuous time and who gave up as much as \$800 of his salary over a period of years, was talking to the Rotary Club and he had with him in Woodstock that day a graduate or two of that school and it was pointed out that in conjunction with the arrangement made by the Agricultural Department for marketing, these boys, graduates of this school in agriculture, of whom there are three or four hundred, and of whom 95% are farmers on the farms of Carleton County, - I think that is a most significant thing, Mr. Chairman, and one of the fine things that has grown out of that Dominion grant for this purpose was the fact that these people announced to the Rotary Club a few weeks ago that these boys on the farms of Carleton County last year shipped \$100,000 worth of bacon to the British market, new money coming in, and significantly and hopefully they said, "We are going to make it \$500,000." And they said, "It will be done".

Now, that is the sort of thing, along with the cultural education, the English and the training in the social sciences, and that sort of thing that has gone with it. There is the economic side, and surely that is a fine thing.

The other school at Sussex which was built has not been functioning, it has been closed from the standpoint of doing day to day work, there have been some short courses run in it, but no^d continuous year-round job. Therefore it has not got the history in the way that this

vocational school at Woodstock has. Had we had a continuation of these grants we might have had a school like that school at Carleton in every county and think what that would have meant, for instance, in conditions such as I have mentioned. There would have been a large increase in the income. We have not got them because we have not got the money, have not had the money to work with. But the thing has been worked out. We have the sample, we are in a better position than we were because now we know it can be done, it has been done, it is no longer experimental or problematical. We just have to find some way of going ahead and putting this service in the hands of the boys. And there is a corresponding one for the girls. There is a business course and home-maker's course in connection with the school which has been doing equally good work. We feel that that Agricultural Instructors Act was a very good thing, but it didn't last long enough and to lose it left us with a feeling of regret. Just the same sort of thing they had in the Technical Education Act which expired in 1929. The same feelings and hopes were expressed in the beginning. We went ahead in New Brunswick as though this thing was to be permanent, in passing on the advantages to the local community. Education, of course, in New Brunswick is administered by local boards. We passed on the money we had coming from the Dominion, that is every dollar that we got from the Dominion we had to pay another dollar with it from the province, and passed it on to the communities, and there was such a development in technical education in the province between 1920 and 1925 as was remarkable, especially for a little province of this kind, and in these communities such as ours were, we had eight new schools established in that short period, and we had large

numbers of people coming in and taking full time day courses as well as evening courses. But the thing broke and the burden came upon us and we were so embarrassed that we almost were sorry. I think the government of the day has reason to be sorry. It was of course like any other provincial government, perhaps, that we know of, it had so many things to do with its money it just could not seem to carry the burden. This however has been passed and we have this thing carried on by the government today. And the situation is that we have a few good schools, but money is not available however to make them universal.

Then we have the youth training coming along in 1931. We had an act passed at Ottawa again recognizing the principle, but it was not declared, it went into default, and the unemployment situation came on and we had the youth training scheme organized. Would it have been better if we had got our technical education and our other educational standards up to a high standard so that the youths of the country would have been helped to meet the unemployment situation and not allowed to go through that unemployment period and through that process of deterioration and pauperization?

One feels that the youth training idea may be good, and is good, and we were thankful for it, but it is perhaps a matter for regret that the whole thing had not been in the form of ^acontinuous and wisely worked out scheme, that would be a truly educational matter.

One feels then in Canada that the principle has been established, we have ample precedent and a way of developing education in cooperation with the Dominion funds under our constitution. This of course has been also illustrated in Great Britain, where the central authority gives over 50% and the administration is entirely

in the hands of local authorities. Also in South Africa and in New Zealand, in different ways. Of course I am not saying they are absolutely parallel but they indicate the general principle of it. Particularly in the United States, we have a principle that is almost exactly parallel but with this difference, in the United States where they have made grants for education they have been given without a time limit, which I think is greatly to be desired, no time limit, and therefore they could go on and develop with a degree of security and confidence which makes their services very much more effective.

MR.STEWART: Do you know, Dr.Peacock, whether the grants in the United States have been made on a per capita basis as between the States?

DR.PEACOCK: They have roughly been so made. There has been a minimum which has been given to the smaller states. That is for instance, under the latest vocational education act which is referred to as the Smith-Dean Act, not less than \$20,000 could be given for agriculture or for commerce or for teacher training or for industry, and so a little state like Nevada under this new act of 1936, in addition to the earlier acts, received from federal funds in perpetuity, as far as the Act goes, \$80,000. A little state with a population not much greater than Prince Edward Island. It has been arranged therefore, on the basis of population and the larger and stronger states, like New York, have received in proportion smaller amounts.

COMMISSIONER DAFOE: Was there not a recent report by an education advisory committee within the last two months recommending a scheme of enlarged educational grants to the states rising to a very large figure in ten years?

DR.PEACOCK: A very astounding and progressive thing.

It runs up to millions. I have not got the data but I know that exists. I know in a sense the history of it. It has been developed by the National Education Association. But it is not for technical education alone, that is for all types of education.

COMMISSIONER DAFOE: I understand that.

DR. PEACOCK: And it is a very definite precedent of course.

COMMISSIONER MacKAY: That report recommends a definite time limit of six years only.

DR. PEACOCK: It does? I had forgotten that. It steps up for six years, does it? In six years it reaches its maximum?

COMMISSIONER MacKAY: There is no provision for anything beyond six years.

DR. PEACOCK: When it reaches its maximum it disappears? That would be a little disconcerting then. That is the first federal grant that has had a time limit on it, as far as I know.

COMMISSIONER MacKAY: It is possible, it is hoped it will be continued, but there is no provision for that.

DR. PEACOCK: That is a new one.

"It was noted by the public press recently that there is a strong agitation in the United States for even more assistance in respect to education to be given from the federal treasury.

Ottawa's spasmodic aid to education, as indicated above, has not been of the assistance which it would have provided if the aid had been permanent and without a time limit. It was a great discouragement to the people of New Brunswick when these grants were withdrawn."

I want to emphasize that. It gave us a depressed feeling, with our limited resources; made us wonder about

the future very seriously.

Now, to progress:

"Our submission is that there should be grants-in-aid from the Dominion and that such grants be applied as directly as possible to the particular services in connection with education and that the sum of these grants should be such as to make it reasonably possible for the Province to educate its people as effectively as the people of other provinces are educated."

Then, there are four or five things we have done; I will just enumerate them by way of recapitulation. The province has made efforts, the ministry of education has been established and unification and coordination is in progress. It has been arranged for the weaker districts, we took up the slack in connection with the grants that had fallen off from the Dominion. The Commission of 1932 was appointed to make a special study and make a report. This was done and only a very small part of this Commission's recommendations have been implemented for lack of funds. And then lately we have initiated a series of county surveys for a special purpose of finding out what could be done in our counties throughout the province. This is in progress now.

We have established a summer school of education at some cost for training the teachers, which we think is a fundamental thing in the economy of our general education.

We have improved our supervision by the re-arranging of inspectorial districts and the appointing of additional inspectors.

We have made some steps in connection with adult education and we are tied up or stopped there almost for lack of funds.

Then we have a new curriculum in the process of construction, which is going to be more in line with modern practice.

And in conclusion, it would seem that education though a particular^{ly}/provincial prerogative may, under our constitution, according to precedent, have aid from Ottawa. It would seem that education has national implications. The mobility of labour is one. They train in one province and persons work in another.

In the third case the service in New Brunswick is suffering from lack of financial support.

Fourth, New Brunswick is not able alone to provide even the minimum program which modern educators and business people realize as necessary. That is, the fiscal need in connection with this is certainly being felt. And then we have ample precedent for federal grants on conditional subsidies for education.

We submit that we should make possible a satisfactory minimum program that would be, of course, in all the provinces according to their special needs, and then after the minimum program our feeling is that if this province wants any special frills in its education, it should pay for them, but that the minimum program should be provided as a national necessity.

Thank you.

(Page 8652 follows)

THE ACTING CHAIRMAN: We must thank you for the fund of information which you have given us this morning.

HON. MR. JONES: Mr. Chairman, I might say just a word in reference to this matter. You will observe, as Dr. Peacock has stated, that our figures to establish what he calls a minimum standard are very modest. The Commission, after hearing the very excellent presentation made by Dr. Peacock may feel that in its recommendations to the Dominion, it might suggest that our figure is too low. We will not be even slightly annoyed if the Commission should increase those figures. Now, I will call on Dr. Warwick.

DR. WILLIAM WARWICK, Chief Medical Officer, was called.

COMMISSIONER MacKAY: Just one question before you continue; if the Dominion is going to extend substantial grants to the province for education, then it would follow that the Dominion would have the right to lay down fairly strict conditions for the expenditure of those grants, would it not?

HON. MR. JONES: I would say so, sir.

COMMISSIONER MacKAY: Are we not, then, encroaching upon a field which has been, politically, very dangerous and might, conceivably be so again? I am not saying that that is a bar to the making of these grants, but I think it is one very important problem which we must take into consideration in this connection.

HON. MR. JONES: The only answer which occurs to me at the moment would be that it could not be regarded as an encroachment because it would, necessarily, be done by agreement with each province. For instance, our province may want \$500,000, if you like, to place its educational system on a proper standard under modern conditions. Some of the other provinces might not need

anything. It is simply a matter of agreement between the Dominion and the provinces and whatever administrative safeguard might be needed could be stipulated in the agreement. The Dominion would be bound only by the agreement, and therefore, it would not be any encroachment, that would be the answer which suggests itself to me, at the moment.

COMMISSIONER MacKAY: Each province must be dealt with separately, is that it?

HON. MR. JONES: Yes, separately, depending upon the needs of the province.

COMMISSIONER ANGUS: I would rather like to ask one question. It has been suggested to us in some of the private briefs that the question of religious education or of language education may be an issue in one province or in another. Now, the grants which have been considered heretofore, were relatively small grants for agricultural training or technical education and did not raise an issue of that sort at all. However, if a relatively large grant were given to raise the level of education in the province, would it not likely open up negotiations between the Dominion and a province on the question of the position of linguistic or religious minorities in the province and **might** that not be the sort of threat to provincial autonomy which Dr. MacKay has mentioned?

HON. MR. JONES: I quite appreciate the fact that that is a difficulty which may arise. I had not considered that at all, although I do remember some reference made to it in some of the briefs. I take it that the necessary grants-in-aid could be applied in cases of fiscal need, to certain needs of the different systems of education in a needy province where religious or other questions

would not arise. What would you think about that, Doctor? It could be used for agricultural, technical and education along that line which perhaps would not involve any question of that kind.

DR. PEACOCK: I am sure that we could use a good deal before we reached that point.

COMMISSIONER ANGUS: They could be applied as you say, but might not the government at Ottawa be under some pressure in the parliament at Ottawa to apply them at different points?

HON. MR. JONES: The government might be under some pressure, yes, but at the same time if the grant was devoted to technical and agricultural education in each province, that would be an answer. Would there be the same pressure, under those conditions? Would it not be recognized that these grants were necessary public services? However, I quite appreciate the difficulty which you suggest.

COMMISSIONER ANGUS: I can see how the difficulty disappears if the grants are small, and if they are fairly uniform throughout the Dominion, but when we are told that it is to be a separate consideration for each province with a view to the needs of that province and the educational situation in that province, is the Dominion not likely to say this is one of the elements of education in that province?

HON. MR. JONES: The question of language, you mean?

COMMISSIONER ANGUS: Separate schools.

HON. MR. JONES: Oh, separate schools, yes.

COMMISSIONER DAFOE: I seem to recall, Mr. Jones, and I have a notation here of a speech in the Dominion House in 1921 by the Hon. Mr. Lapointe, who, of course, is a very broad-minded man. He took objection to the

technical grants. I have a note here that it is quoted in MacGregor Dawson's book which I think is called, "Constitutional Issues". I am pretty sure he said that it was establishing a precedent by which the Dominion might, at some future date, seek to get a measure of control over provincial education. I merely mention it as illustrating the fact that this is a very delicate question.

HON. MR. JONES: Oh yes, it is.

THE ACTING CHAIRMAN: The province could always refuse the grant if it were not satisfied with the conditions.

HON. MR. JONES: Yes, it would be purely a matter between the province and the Dominion. There might be difficulties, but we think it would be desirable. It is not necessary for me to say anything further on the matter after the very exhaustive presentation made by Dr. Peacock. We believe it is most desirable that this Commission should have a picture of the condition of education in this province. We suggest certain sums that would help us, and we leave the matter open at the end of our submission in connection with that particular subject, for the consideration of the Commission. I quite realize that there may be many difficulties attendant upon it, but I am very much pleased that the Commission has a picture of the conditions as they exist here.

I think, Mr. Chairman, as our time is somewhat limited, I will ask Dr. Warwick, instead of reading that particular part of the brief with reference to this question of public health, to give us the benefit of some observations he might wish to make in further explanation. After all, our submission is there and you gentlemen have it before you. Dr. Warwick may have some

additional ideas in connection with the matter.

DR. TARRICK: Mr. Chairman and Gentlemen: I have a few remarks contained in the short brief which I shall read. It will only take a short time.

"Twenty years ago public health became an established department of the provincial government under a cabinet minister. This department has gradually developed, as our finances have permitted, until we now have the fundamental services of public health effectively operating. The set up of the department and its relationship to the municipalities is somewhat different than in other provinces, which should be taken into consideration in making comparison, as to services and costs, with those provinces.

In our opinion the principal public health services now carried on can be most effectively and economically administered as at present, there being very clear limitations of the fields of activity of the federal, provincial and municipal health services.

There are, however, several health services in our province which for various reasons, the principal ones being economic, have not been developed to the extent to which they should have been in the light of present day knowledge and practice in public health."

I will just outline, if you care, sir, the set up which we have in this province. Under the minister there is the chief medical officer who is also in charge of the registration of general vital statistics. We have our province divided into ten health districts.

Each district is in charge of a district medical health officer. These health districts, in some cases, are composed of one county and in other cases it is composed of two counties. Each health district has a board of health, of which the district medical officer is chairman. The district medical health officer is a full-time executive officer for his district. In addition to the ten district medical health officers we have one who devotes himself to the investigation of the health of the pupils in the schools. New Brunswick is the only province in which the medical health officer is the employee of the provincial department. In most other provinces he is the employee of the municipality. Our employees are fulltime employees, there are no part-time medical health officers, even in the cities. New Brunswick is the only province where the medical inspection of schools covers the whole province, rural as well as urban, with the services provided by the provincial department of health. We have a bureau of laboratories and serum depots for the supply of biological products for the control of communicable diseases. I might say, too, that the district medical health officers are also tuberculosis diagnosticians as well as medical inspectors of schools. The bureau of laboratories and serum depots are entirely financed from a provincial fund. There are sixteen sub-district boards of health, one for each county. The city of Fredericton is the only city which has a separate board. The sub-district board of health employees are more or less minor officials, in some cases, they are fulltime employees, but in many cases, they are part-time employees. The employees are, sanitary inspectors, collectors of vital statistics, food and dairy inspectors, plumbing inspectors, and nurses.

All the boards are operating under the direction of the district medical health officer and under provincial regulations, though boards have the power to make regulations of their own subject to the approval of the ministers. The provincial department of health also employs a director of public health nurses who supervises the local public health nursing services, most of which receives subsidies from the department. Venereal disease clinics are operated by the department of health. There are eleven of these clinics and the clinicians are part time employees .

Now, under our set up we have no tuberculosis hospitals under our control; they do not come directly under the department of health, neither do the mental hospitals, although both are under the minister. Our own department operates a very efficient diagnostic service with our health officers as the diagnosticians. In addition to that, there is a voluntary T. B. association which provides free clinical service in St. John. This is really an out-patient department of the city's municipal hospital. There are three institutions, not under the department of health which provide treatment for tuberculosis. There is the Jordan Memorial Santorium, which is under the minister, the St. John T. B. hospital, which admits patients from other municipalities upon payment by them. There is a third institution under the auspices of the Roman Catholics, namely, Notre Dame de Lourdes which admits patients from any municipality upon payment by them. All of these institutions receive paying patients, but the proportion of paying patients is extremely small. The indigents--this is a name which we do not like, I would rather have them called medical indigents, because a person may be self-supporting in other ways but

may not be able to support himself when he has a long illness to contend with. These indigents are paid for by the municipalities where the person has legal settlement, but a permit from the warden or county councillor is required. It is at this point that great difficulty is experienced in getting this permit. The final permission has to come from these people and they pay a proportion of the cost. So far as the provincial payments for the treatment of tuberculosis are concerned, the province takes care of the deficit at the Jordan Memorial Sanatorium. In the other two institutions, the province pays \$1.00 per day per patient, paying or indigent for all patients admitted since the first of May, 1937. For those who were admitted prior to that time, the province pays 75 cents per day. The mental hospital for the province is not under the department of health, but under the minister and it has paying and indigent patients. The municipalities are required to pay for indigents at the rate of \$4.50 and \$5.00 per week. The province takes care of the deficit on this institution. There are a few social services, other than health, which do not come under the supervision of the Department of Health. There is no department of welfare in this province and the social services, except old age pensions, are very inadequately provided for. There are several health services in our province for which we have not been able to provide. One of these is sanitary engineering.

"1. Sanitary Engineering. Our department has not a sanitary engineer. In the past the services of the district sanitary engineer of the department of pensions and national health, with

"headquarters in Montreal, have been made available to us on special occasions, but for obvious reasons this does not fully meet our needs for this type of service.

2. Public Health Nursing and Child Welfare.

While the cities and some of the larger towns are meeting their needs to a large extent in some cases with subsidies from this department, there is an urgent need for an extension of such service to cover the rural areas. With our present set up of ten health districts, each in charge of a trained fulltime health officer, the service is badly handicapped because of the lack of trained public health nursing assistance so essential for child and maternal hygiene, tuberculosis and venereal disease control, the more effective application of medical inspection of schools service and mental hygiene. Without a properly organized public health nursing service under departmental control we are not in a position to furnish our health districts with a properly balanced and effective health programme.

3. Health Education is closely linked up with the nursing and child welfare service. In a general way considerable progress has been made in the past few years, but, for economic reasons mostly, we have had to depend largely upon extra-provincial voluntary organizations for much of our educational material, especially literature. Our efforts along educational lines have been hampered too by the lack of other material aids. It would seem that for the smaller provinces particularly there is a very great field for a national service

"for the creation and supply of all types of health educational materials which might be made available to the provinces either free or at least at cost.

4. Communicable Disease Control. In this field the acute diseases can be most effectively dealt with as at present, but there are two special classes of diseases that come under this heading which should be looked upon not as municipal or provincial alone but as national problems. These are Venereal Diseases and Tuberculosis, which take by far the largest toll in suffering and economic loss in every province in the Dominion. They are both diseases which require prolonged and relatively costly treatment. Experience has proven that unlike the acute diseases they cannot be effectively dealt with by municipalities or provinces alone."

(Page 8663 follows)

"(a) VENEREAL DISEASES. In this Province the Department of Health has eleven free clinics for diagnosis and treatment. There is an urgent need for extension of services and particularly for those in outlying sections. With the discontinuance in 1931 of federal grants-in-aid, we did not curtail our services but have been unable to extend them to effectively meet our present needs.

(b) TUBERCULOSIS CONTROL. Our Department has built up a most effective diagnostic (or case finding) service. It is in the provision of adequate facilities for treatment that we are falling far short of requirements.

Hospital treatment is a most important factor in the control of tuberculosis, operating in two ways,

(a) By getting cases under treatment early, the disease is arrested and such patients do not subsequently become infectors - but become again useful citizens.

(b) By the isolation of open cases or infectors such cases cease to be foci of spread of the disease.

Expenditure on hospital treatment now is therefore good economy as by this means such unnecessary expenditure in future years will be avoided.

For the past two years our tuberculosis death rate has shown a very appreciable increase (from 67 to 82 per 100,000 of population) there being on an average about 350 deaths a year. More hospital treatment beds are urgently needed."

That is shown by the fact that last year approximately 600 new cases of tuberculosis were discovered, mostly by our own diagnosticians, and the three institutions admitted during the year but 361 cases. There is a long waiting list in every institution, and in many instances even where the counties are willing to hospitalize their cases there is a wait of three or four months before a patient can be admitted. You quite appreciate what that means when the case happens to be an open case, living in a few rooms with a very large family of young children in the home. The situation is very desperate.

"But even with an increase in bed accommodation there must be found a means of ensuring that the increased maintenance cost may be met. Under our present system this is met about equally by the municipalities (as a whole) and by the province."

Some municipalities are doing splendidly and are spending very considerable sums of money, and are quite willing to admit their cases, but other counties are not doing their share. So that there is a great disproportion between the patients who are being hospitalized from certain counties, and, of course, you cannot limit the spread of the disease by county lines or parish lines or even by provincial lines.

"But the great weakness lies in the fact that some municipalities will not or cannot bear their proper share of the financial burden. That this burden is yearly becoming heavier than the municipalities and the province can bear is very evident.

Since 1926 the cost of treatment supplied from provincial funds has trebled, while that from municipal funds has about doubled.

"By the application of effective control measures, there is no reason to doubt that we could reduce our tuberculosis death rate to about one-quarter of the present rate within a period of 15 to 20 years." I say "effective control measures". That is, if control measures are put into effect to the largest extent possible we could reduce our tuberculosis death rate to about one-quarter of the present rate within a period of approximately 15 or 20 or 25 years. I know it is dangerous to make such a statement, but I am sure that if we had the facilities available and the money to pay for them we certainly could make a very marked reduction. We have since 1921 reduced our tuberculosis death rate about 25%.

"If we are to deal adequately with the tuberculosis problem we must consider it as one which cannot longer be handled as a parish or county affair considered in the light of 'poor law' principles of a century ago. It should be handled as any other national problem bearing in mind that different phases of the situation in various parts of the country must be dealt with as the needs demand.

In this Province to meet the requirements of the present situation we need more bed accommodation for treatment of tuberculosis cases, which will be partly met when present plans are carried into effect."

We hope within the year to have approximately 100 more beds available. We have now 400.

"But more particularly do we require that there should be provided for years to come sufficient

"public funds, from whatever sources, so that the cost of treatment of all cases should be assured without consideration as to the ability of the individual, the parish or the municipality to meet the cost but rather that the needs of the particular case and his relationship to the public health should be the first consideration.

The Federal Government has for years been spending large sums, through the Health of Animals Branch of the Department of Agriculture, on the eradication of tuberculosis in dairy cattle, and with excellent results as witnessed by the fact that New Brunswick is now classed as a tuberculosis free province. While this problem has a certain public health aspect the more important incentive has been an economic one.

In the past eleven years, the province and the municipalities have each spent approximately one and one quarter million dollars on treatment of tuberculosis alone, a total of two and one half millions. During this same period 4,000 persons have died of tuberculosis."

The estimated loss from these deaths alone, not taking into account the loss in cases which recover, but on the principle of estimating the value of an adult life at \$3,000. and a child's life at \$500.00, and the funeral expenses, and average cost of medical care for the case before death, - we estimate that to be about \$3,500,000.. or a yearly average of \$1,250,000.

"If the death rate during the past ten years had continued as high as it was in 1926 there

"would have been 770 more deaths from tuberculosis, with an estimated greater economic loss of over two and one-half million dollars.

Surely no great argument is needed to show that we are faced with a serious public health and economic problem, which will require the expenditure of additional public funds.

In 1958 there will be needed for the maintenance of the 460 beds which will be available for treatment, about \$400,000 (our present expenditure from public funds, provincial and municipal being slightly over \$300,000).

The problem with which we are faced is how can we meet this increased burden and how may the total cost of the treatment of tuberculosis be more equitably distributed so that the maximum of benefit may accrue to counties, province and Dominion?

Thus relieving municipalities of their direct share.

5. CANCER CONTROL. A comparatively new feature which of late years has been held as a necessary service to be included in public health.

That this too is a national problem, is evidenced by the fact that there is at present being inaugurated a national programme, largely of an educational nature, which will need to be supplemented by more adequate facilities for early diagnosis and treatment, in which respect practically nothing has as yet been undertaken in this province except by our largest hospital, the Saint John General.

6. MENTAL HYGIENE. This field of work, so far

"in New Brunswick, has been largely restricted to building up and modernizing the facilities for treatment in our Mental Hospital. There is an urgent need for an expansion of field work with ultimate provision for the care of the feeble-minded. A tentative plan for the inauguration of a mental hygiene programme has been under consideration, starting in a small way with the training of personnel who will later be put in the field for clinical work and at the same time will be able to survey the needs as to institutional requirements for the feeble-minded.

From an economic point of view the benefits to be derived from an effective mental hygiene programme should be very far reaching and hardly need elaborating here.

This in brief summarizes the features of our health services which we, as yet, have been unable to furnish either wholly or inadequately because of the lack of sufficient funds, yet which are most essential if we can hope to obtain the benefits which should result from a properly functioning department of health."

I have here a diagram illustrating the set-up of our department, and a table outlining the present expenditures from provincial funds for these different health services; that is, public health, proper tuberculosis treatment, provincial hospital, and payments to the general hospitals by the province and by all the municipalities, and which is worked out on a per capita basis. In 1936, the last year for which figures were available, for these four services the provincial expenditure was \$326,000., the municipal expenditure was \$416,000., and the total \$742,000., or a

per capita cost of slightly over \$1.70. Those are the amounts that were actually spent, but we find in connection with our payments for tuberculosis treatment at the end of the year the three institutions were owed by the municipalities \$123,000, - quite a large sum; that the municipalities are not able to continue to bear the additional cost, because it is growing year by year. We find that nine of our fifteen counties in 1936 paid for hospitalization, - that is, tuberculosis, mental and general hospital care of indigents, more than 20% of the total tax collected. Five others paid between eleven and sixteen per cent; some of those have yet very large amounts owing to the institutions. One was below 4%. In other words, it is doing nothing, or ~~practically~~ nothing towards hospitalization. The highest is 28% of the tax collected according to statements issued, during that year, which was spent for hospitalization. Of course, in some instances they may have paid back bills. If I might just take a moment and refer to some of the questions that were submitted regarding the matter of possible overlapping - -

THE ACTING CHAIRMAN: In the meantime you might file the statement which will be Exhibit No. 360.

EXHIBIT No. 360.

Answers to questions submitted to Department of Health and Statement of Expenditures.

DR. WARWICK: As already outlined, the functions of the Department of Health in this province comprise the control of communicable diseases, including tuberculosis, diagnostic service and venereal disease clinics, public health laboratory and biologicals for communicable disease control, medical inspection of schools covering the whole province, the sanitation of water, sewerage, food and milk

supplies, control of nuisances, vital statistics, collection and recording, compilations of which are all made by the Bureau of Statistics in Ottawa. Then public health nursing and child welfare, and health education, and non-departmental health activities which are cared for by provincial funds, tuberculosis aid in treatments, already mentioned, and small grants to general hospitals. Grants to general hospitals are not made on a per diem basis, they are grants varying from less than \$1,000. to \$200.00 in some of the smaller hospitals with a maximum of less than \$4,000.

COMMISSIONER MacKAY: Why do you make those variations in grants?

DR. WARWICK: I cannot explain that, Sir; it goes back quite a few years. To find out how it originated, - it has just grown, apparently, there is no fixed basis on per diem for public patients.

MR. STEWART: Probably by negotiation at the time?

DR. WARWICK: Yes, and it has not been augmented for a good many years. In fact, they were cut during the depression by 25% and were never restored.

Now, the Federal Health activities carried on in this province, by the Department of Pensions and Health, Health Division are, Maritime Quarantine, Medical examination of immigrants, treatment of leprosy, treatment of sick mariners; and the Food and Drug Branch, dealing with adulteration and misbranding of certain foods and drugs; the activities of the narcotic branch, the Proprietary or Patent Medicine branch, and Public Health Engineering branch, to a limited degree in the control of water supplies used by international and interprovincial carriers; and some in regard to railway sanitation, interprovincial; shellfish sanitation, - surveys, and to a very limited extent in regard to housing.

As already mentioned, public health education is

largely through grants to national voluntary organizations such as the Canadian Tuberculosis Association, Canadian Mental Hygiene Council, Health League of Canada, Canadian Welfare Association, and the Canadian Dental Hygiene Council. Just recently two new divisions have been established, Epidemiology and Industrial Hygiene and child and maternal welfare.

MR. STEWART: By the Dominion?

DR. WARWICK: Yes, by the Dominion; not to do actual work in the province but to assist, and in other ways they work along those lines in the various provinces. Then the last is the Dominion Health Council which, as you know, is made up of representatives of provincial health officers and certain other persons, and certainly I feel that has been a very marked factor in avoiding overlapping and duplication, because this council meets twice a year, and we have an opportunity there when new problems come up to iron them out and decide whether they are provincial or Dominion matters, and so on. That council has been in existence as long as the Department of Health of the Dominion, so that I think that is one thing which has prevented a great deal of overlapping.

The other Federal Departments which carry on some health activities are, the Indian Affairs Branch, - the medical care of Indians, including tuberculosis and venereal diseases, and the Bureau of Statistics, - the compilation of vital statistics. I would like to pay tribute to that Department, because that system has worked out very well indeed throughout Canada, and is a splendid example of effective co-operation.

MR. STEWART: In connection with Indian Affairs, the control of tuberculosis among Indians, do you get what you

consider adequate co-operation from the Dominion?

DR. WARWICK: I am coming to that in a moment. Then the Department of Agriculture, Health of Animals Branch, Bovine Tuberculosis Control, we are now, I think, one of the two tuberculosis-free provinces. And Meat inspection, in a limited degree only, and in regard to interprovincial trade.

I feel that there is no real overlapping. The services of Health Division and Provincial Department of Health have been pretty clearly defined - Overlapping has been avoided largely through the Dominion Health Council. There might possibly be slight overlapping but it is more or less immaterial. In regard to sanitation of water supplies, we co-operate with the Dominion. They loan us their engineers when we need them very badly, and in return for that we make all their water analyses.

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MR.STEWART: The Dominion activities in that respect are confined to international water, are they?

A. Not international water, the water supply of international traffic, like the railways and steamships, and so on. But we also have them under supervision where they are public water supplies in our own province.

In the past in control of tuberculosis in Indians and Medical Inspection of Indian school children provincial facilities have not been utilized, although offered. Years ago we offered them these services. Just recently as a result of two conferences, the money is being provided for more effective work in the control program in regard to tuberculosis. The policy of the federal department is not to provide new services, to come into the province with new services, but rather utilize our services. We cooperate with them and they will pay us any out of hand expenses in connection therewith. But we hope in a short time to have a very effective program. There is possibly one chance of overlapping in the question of food control, it is not very large, but they have their own inspectors and send their own materials to the laboratory at Halifax. There is a question which is not very important with regard to milk products under the Dominion process legislation dealing with those, they would have to take over the control of that. It is a question whether that would be outside our jurisdiction or whether that should be left to us.

MR.STEWART: So far they have assumed no jurisdiction so far as the milk supply to any local area?

DR.WARWICK : Not in the liquid milk, no.

MR.STEWART: But milk products.

DR.WARWICK: Milk products of various kinds. But I think we could still iron out those satisfactorily.

In regard to tuberculosis treatment for war veterans, they of course use our hospitals for treatment and pay for it, and do the same with regard to Indians although for some years it was difficult to get them sent for treatment, but that was remedied. And for sick mariners they use our hospitals.

Then they have a hospital for leprosy at Tracadie. There is just a question there. I do not want to seem critical at all, but that takes care of leprosy cases all over Canada, except a few Orientals on the west coast, but there are only about eight cases down there, only four of whom are at all active or practically four right now, I think that is about the number, and of course it is quite a large expense. There is a question whether that might not be looked after in this province rather than by the Dominion itself. I am not criticizing in any way the carrying on of that institution.

MR. STEWART: Has the province facilities for properly isolating these cases at any of its present institutions?

DR. WARWICK: Well, perhaps not. Of course you know there is a legendary fear of leprosy which is out of all reason, and the matter has been discussed informally, as to whether with the very few cases of leprosy that do occur in the Dominion of Canada, whether these cases could not be taken care of properly, they do not need any more isolation than an open case of tuberculosis does, in fact not as much. It is a very slightly contagious disease, and in England they do not segregate them in colonies. They are allowed to live out under a certain amount ^{of} medical supervision, that is all, but they are not kept in colonies.

COMMISSIONER DAFOE: There has been a reduction in

the number of cases of leprosy, has there? There are only eight cases now but there have been more in the past?

DR. WARWICK: Yes, going back seventy-five or a hundred years there was an area in this province that was badly seeded down with it, but in the last eight or ten years there have only been two new cases reported in this province, and they were both in families which had histories going back seventy-five or eighty years, but those are the only new cases. Most of the other cases have come from the West.

In regard to health education the two departments with national voluntary organizations are cooperating but without overlapping. As to whether the total work could be done by one or other department we feel that generally speaking the present system is both economical and efficient.

In regard to the question of sanitary engineering, how possible economics might be effected, if the federal district sanitary engineer was resident in this province, which I think was proposed, instead of having a district as large as he has now, we would be in a position to make wider use of his services, now available to some extent, as a consultant. We have no such official on our staff.

Possibly when this was written of course the Indian Affairs Branch had not progressed, so we felt there was an opportunity of greater co-operation there, but that has been cleared up.

I have already referred to the matter of leprosy.

In regard to health education we feel that for the smaller provinces leadership and furnishing of all types of educational materials, literature and radio, motion picture films, and newspaper publicity, should be

provided from the central organization. We have not the personnel, each province has not, to produce proper material along educational lines and it would be much better to have a standard, more or less standard material supplied, and it could be done more economically.

Are there any further points you would like me to cover?

MR. STEWART: No, I think that covers it.

COMMISSIONER MacKAY: Is the federal department doing anything in the way of research for you at the present time?

DR. WARWICK: No, not for us. I mean, if we had a particular research problem and we took it to the research council possibly they would; but I mean there is no research being done in this province by the federal authorities.

COMMISSIONER MacKAY: I mean either in this province or at Ottawa for this province?

DR. WARWICK: Not at the present time.

COMMISSIONER MacKAY: Is the federal department doing anything important in the way of research?

DR. WARWICK: I think there are some projects possibly going on at the present time or are being initiated, but I do not think there has been any real work done by the research council up to the present time in medicine research, preventive medicine research work.

COMMISSIONER MacLAY: Do you think that is a function which the Dominion could legitimately perform and could perform better than the provinces?

DR. WARWICK: I do, sir, or possibly in specific instances, if the material were more readily available in a particular province, the work could be done there in collaboration with the province. I do think that one function of the federal department of health should be to

assist the provinces in dealing with particular problems which are almost their own in scope. There is a great deal of material available now in the provinces to be worked out in a research way, which the provinces themselves have not the staff to do and I think that might be considered as a legitimate function of the federal department to deal with the matter and assist. I think that is what they have in mind eventually when they have an adequate staff.

COMMISSIONER MacKAY: Presumably these inquiries would be of value not only to the province for which the work was carried out but for the other provinces as well.

DR. WARWICK: Yes, undoubtedly, it would be of value to the whole country. For instance you take the collaboration of all the information which has come to light through the recent polio epidemic. A great deal of information has come out of Ontario, and there is information available in other provinces, not only in regard to the recent epidemics, but also past epidemics. That should be gotten together eventually and made available to all the provinces and the Dominion, and in fact for more than the Dominion. There is some very excellent material to be gathered together there.

COMMISSIONER MacKAY: Is there much being done by way of interchange of information through the federal department of health?

DR. WARWICK: Yes, largely through the Dominion Health Council. That is a very fine clearing house. We meet there and discuss our problems, get the experience of other provinces, and ^{it} has done a great deal to bring about uniformity of legislation and regulation, too, where that is possible. Of course the health problems in individual provinces are not exactly the same. We feel we have a bigger problem relatively

in regard to tuberculosis than the Western provinces, while they have other problems we have not got.

They have got the problem of trachoma up there, the possibility of introduction of sylvatic plague, plague in rodents, coming up from the United States. We will probably never be troubled with that. So there is a difference in that respect.

THE ACTING CHAIRMAN: We will file this statement as a separate exhibit.

MR. STEWART: Yes, I wonder if the Doctor has a complete memorandum. Is that memorandum available for filing, on the overlapping?

DR. WARWICK: Yes.

THE ACTING CHAIRMAN: That will be exhibit 361.

EXHIBIT NO. 361 ---

Memorandum prepared by the New Brunswick Department of Health as to overlapping in health services.

HON. MR. JONES: Mr. Chairman, our position in reference to the public health of Canada is that it is, outside of a few limited matters, the responsibility of the Dominion and not of the provinces. Under the Act of British North America the matter of public health is not mentioned directly in section 91 as coming within the jurisdiction of the Dominion, and the only reference to it directly in the Act is in section 92 where there are references to certain matters of public health which are in the control of the provinces but these are very limited. For instance, in item 7 of section 92 it is provided :

"The establishment, maintenance, and management of hospitals, asylums, charities and eleemosynary institutions in and for the Province, other than Marine hospitals "

Item 16 we think does not apply to it, where it is a matter of national importance that has been

indicated by recent answers to questions directed to Dr. Warwick:

"Generally all matters of a merely local or private nature in the Province."

This item 7 is the only reference in the Act of British North America to the health except marine hospitals which are looked after by the Dominion: "The establishment maintenance and management of hospitals, asylums, charities and eleemosynary institutions". Questions of research which have just been referred to, and general questions of inquiry into modern methods of dealing with the public health of the nation, the treatment of public health in all the districts, outside of hospital care, outside of asylum care, throughout the several rural communities where tuberculosis is rampant, we will say, Venereal diseases and all that sort of thing, the position of this province is, whether rightly or wrongly, as a matter of law, that the responsibility for all that public health is on the Dominion and not upon the provinces. I am not sure whether the question has ever been raised, and of course we advance it simply as our view of the construction of this act. I am not sure that it has ever been raised before this Commission. I have not noticed it in any of the provinces. In this province, even though that jurisdiction and that responsibility rested upon the Dominion, we established^a department of health, I might say voluntarily, some years ago, as indicated by the doctor, and have carried it on as a matter of assisting the Dominion in the administration of something that was the responsibility of the Dominion. It is indicated in the brief, so that references are made, and I would like the matter to be carefully considered by your board, and if it is a responsibility of the Dominion in relation to all these matters, outside of the peculiar

ones that are mentioned there, and particular ones, then it seems to me it would result in relieving the provinces of a great burden. And besides it is just one of those matters that the nation should do as a whole, because after all the public health of the nation is the backbone of the nation, you might say. Everything depends upon it. It is a national thing. This venereal disease question and tuberculosis question is wider than the province, it effects everything. It is a sore that spreads and permeates throughout the whole nation. And for that reason one would impress the position the province takes in that regard. We are willing to help and we have been willing to help but the Dominion might approach the matter in a different way and deal with it on the ground that they have the responsibility.

COMMISSIONER MacKAY: Are there not two questions, Mr. Jones? The first question, it seems to me, is the question of jurisdiction.

HON. MR. JONES: Yes.

COMMISSIONER MacKAY: The second question is economy of administration.

HON. MR. JONES: Yes.

COMMISSIONER MacKAY: It may be that the subject of public health legally - I am not a lawyer and I express no opinion on it, - it may be that the subject of public health legally falls in one jurisdiction or another, but it may turn out to be the wrong jurisdiction from the point of view of administration.

HON. MR. JONES: Possibly.

COMMISSIONER MacKAY: Public health is a subject which demands very close detailed local supervision. The Doctor has suggested that there are special problems in each province. We cannot overlook, it seems to me, the problem of administration, even if the problem of jurisdiction were settled.

HON. MR. JONES: Quite so. And it might be that local administration would be better. Of course we claim about other social services that local administration is the best, and we want to be consistent along that line. But the reason I point out that is that the Dominion can very easily arrange for local administration through our Department. We are quite willing to do that. We are quite willing to contribute to the service. But my idea is that the Dominion should approach the matter in a little different manner, instead of in a haphazard way, - I will not say haphazard, - but in a limited way as they are doing it now. They ought to approach it along a substantially different line, which would save us money that we are expending now for work the Dominion should do. That is the point.

COMMISSIONER MacKAY: How do you propose the Dominion should do it? The Dominion should extend to the provinces specific grants in aid?

HON. MR. JONES: No, because if it is a matter of Dominion jurisdiction it is not a matter for provincial administration. It would not be the same as grants-in-aid. It would be the same as, we will say, the administration of the soldiers' health, the Indians' health. They do it and they have administered the whole thing, but can call upon us for assistance. They have the administration. As in the case of the old age pensions, the provinces have the administration because it is a matter within Federal jurisdiction. But if it were in Dominion jurisdiction then they would have the whole responsibility of administration. Now, they can arrange easily for local subsidiary administration or assisting administration, as they choose. But my suggestion is that they should approach the matter and

assume more of the expense under that head than they have been assuming in the past, by reason of the fact that under my construction of the statute it is a matter wholly for which they should be responsible. And I think as a matter of policy for the welfare of the nation they ought to take hold of those things, the administration of public health.

COMMISSIONER MacKAY: Would you go further? If you are not sure that it is a matter of federal jurisdiction, should the Act be amended to make it a matter of federal jurisdiction?

HON. MR. JONES: Of course I am not instructed to speak about that. I did not go quite that far because I really think that it is shown that they have jurisdiction now.

COMMISSIONER ANGUS: Have you considered in that connection the possibility of the development of health insurance, and under what jurisdiction it should fall? I mean, the decision to adopt it or not adopt it?

HON. MR. JONES: No, I have not considered that.

COMMISSIONER ANGUS: It is closely related, of course, to the question of public health.

HON. MR. JONES: It is a question that might very well be considered but I have not had occasion to consider it.

THE CHAIRMAN: I intended to put some questions on the constitutional point of view, but your statement has been so guarded, so carefully worded, that I do not think it is necessary. It is now one o'clock, we will resume at half-past two.

HON. MR. JONES: If I might be permitted, counsel who are present representing parties who have other briefs to present to this Commission are naturally anxious to know as nearly as possible about when they

can be heard, because some are here from a distance.

THE ACTING CHAIRMAN: That is up to the government.

HON. MR. JONES: I mean the order in which the briefs may be received. I was wondering whether it would be possible to have some arrangement made about that. Of course it is difficult to tell when we will be through with ours.

THE ACTING CHAIRMAN: It will depend upon the Government. When the government is through we shall know when we can hear the other briefs. That is for you to say when you will be through.

HON. MR. JONES: I am doubtful, the way it is going now, whether we can finish it tomorrow or not.

THE ACTING CHAIRMAN: We may ask the secretary then to discuss the matter with you. The government has the right of way.

HON. MR. JONES: Supposing, for example, we should finish tomorrow night, would the Commission prefer to sit on Saturday?

THE ACTING CHAIRMAN: We would certainly sit Saturday morning though we usually do not do so.

HON. MR. JONES: I doubt very much whether we can get through by tomorrow night, and whether it would be wise to have the parties notified that they will not be needed until Monday?

THE ACTING CHAIRMAN: We do not want to press you. We had thought that we might leave Monday night, but those briefs certainly cannot be disposed of in one day, they are too important. You might perhaps consider the matter and see what you can do, because you have the right of way. If you want to give up your time to those who are anxious to leave Fredericton we are agreeable to that.

HON. MR. JONES: I would like to dispose of the Government brief first.

AFTERNOON SESSION

The Commission resumed at 2.30 p.m.

THE ACTING CHAIRMAN: As we are a little late in starting, we will sit until a quarter to five, Mr. Jones.

HON. MR. JONES: Very well, thank you, sir.

THE ACTING CHAIRMAN: Mr. Stewart, I think I forgot to ask you if you had any questions to put to Mr. Jones in connection with the health department.

MR. STEWART: I have a few questions which I would like to ask, sir.

BY MR. STEWART OF HON. MR. JONES

Q. In regard to your suggestion, Mr. Jones, that health, apart from hospitals and apart from section 92 subsection 7 of the British North America Act, was really a matter of Dominion jurisdiction, I was going to ask if the province of New Brunswick had passed any laws regulating the medical profession. A. We have a law requiring the registration of medical practitioners. Outside of that, I do not remember anything else.

Q. You have prevented others then, from practising?

A. From practising medicine, yes.

Q. That has pretty fully covered the field, has it not?

A. That would be an element, of course; we have done that.

Q. There was one other consideration; do you not think that the absence of health from the British North America Act was due to the fact that it was felt at that time to be a matter of purely local interest or concern?

A. I do not know that we can say that. I rather thought that it would come under the residuary powers.

Q. Peace, order and good government? A. No, matters which are not particularly set forth in section 92, would go into section 91. As it was not mentioned in 91, it

would come under those residuary powers.

Q. One could envisage a very difficult situation which might arise if the provincial jurisdiction were restricted to hospitals and the rest of the field of medicine were for the Dominion, could you not? A. Well, I do not know; there is a large field outside of hospitals.

Q. Compulsory segregation, for instance? A. Yes.

Q. And isolation? A. Yes.

Q. In hospitals, isolation would be for the province, and outside, it would be for the Dominion? A. Yes, that is so.

Q. But if a patient were ordered to be placed in hospital, then, of course, the provincial jurisdiction would apply, would it not? A. Yes.

Q. It would mean that the Dominion could impose on the province a very serious burden, is that not so?

A. It might work out that way. It seemed to me on the construction of the Act, just as I stated this morning, what the effect would be, I do not know. I imagine there might be difficulties.

Q. Apart from the spread of disease through contagion, do you not think it is a matter for the province, purely a local matter? A. Apart from the spread of disease?

Q. Apart from the possibility of the spread of disease through contagion from one province to another?

A. That would be something which would require Dominion administration, diseases which were likely to be spread generally throughout the country. We would say all of those diseases, venereal diseases and tuberculosis and others which might be regarded as dangerous to the whole nation and very likely to spread by means of communication which we have now--highways and railways, it would be spread

between provinces, so that would be a matter for Dominion administration.

Q. If you are creating your suggested line of demarcation between Dominion and provincial jurisdiction, is it not quite conceivable that your Act regulating the practice of medicine is ultra vires? A. I am not sure about that. It would seem to me that would be a matter for the province, the registration of practising physicians or practising lawyers.

Q. The practise of law is specifically covered, is it not? A. It would be along those lines, I think just as the regulation of practitioners.

Q. If the Dominion had jurisdiction over dealing with disease, surely it would have jurisdiction over those who could diagnose or treat those diseases, would it not?

A. Possibly so; it is quite a problem.

Q. It is perhaps a novel suggestion, too. A. My suggestion was that the Dominion should regard it as something to which it really should contribute more than it is doing at present.

Q. Still, if it is a matter for Dominion jurisdiction then it is a matter for Dominion administration, is it not? A. Yes, if it is Dominion jurisdiction, then it is Dominion administration. It means quite a lot of money, too, I think.

THE ACTING CHAIRMAN: Constitutionally though, you do not hold very strong convictions in favour of federal jurisdiction, do you?

HON. MR. JONES: I am rather of a strong opinion that the Act imposes public health, outside hospitals, as a matter of Dominion concern.

THE ACTING CHAIRMAN: I am not very sure, but it seems to me that it is a provincial matter.

HON. MR. JONES: It is a new thought, but it is something we are putting forward.

In connection with the next subject set out in the brief, which I think is the coal industry--

THE ACTING CHAIRMAN: It is highway construction, sir, I think.

HON. MR. JONES: It is highway construction, but there are some gentlemen here from outside, and, with your permission, I would like to take up the subject of the coal mining industry on page 59. We do not want to detain these men any more than we can help.

THE ACTING CHAIRMAN: That would be quite agreeable to the commission.

HON. MR. JONES: I would call Mr. Benton Evans.

MR. W. BENTON EVANS, representative of the coal industry, was called.

HON. MR. JONES: Mr. Evans, you have, of course, read over the statement made in the brief in reference to this matter?

MR. EVANS: Yes, I have.

HON. MR. JONES: Would you be prepared to read it and make your own comments? Any statistical information you might have, you might file with the Commission instead of reading it. In this way, the Commission will have the benefit of the information.

MR. EVANS: Mr. Chairman and Gentlemen: As Mr. Jones has said this part of the brief deals with the coal mining industry of the province. I wish to thank you for the privilege of presenting this part of the brief at the present time instead of waiting until some time to-morrow. Our coal mining industry is located at Minto in the counties of Queen and Sunbury. It is about the centre of the province and about 35 miles from the city. I will read the first paragraph in the brief.

"as has already been pointed out, the effect of the protective tariff policy and of the freight rate structure has been distinctly detrimental to the interests of the province of New Brunswick. The protective tariff was designed to encourage the manufacture of raw material in Canada.

The policy of the Dominion in respect of the encouragement of coal production has not had the effect of assisting industry in this province but has had quite the opposite effect and the question is one which, in our view, might be considered by this Commission."

Now, in reference to that paragraph, I would just like to make this remark. Some years ago there was the statement that the subventions established for freight rate assistance, as it is more commonly called now, was to assist the movement of Maritime coal. This, I believe, was instituted on the recommendation of the Duncan Commission. New Brunswick has not benefited from this as we will endeavour to show later on. The coal fields of New Brunswick are located in the central part of the province. The number of men usually employed is approximately 1,200. The amount of capital invested is about \$1,400,000 and the annual production 350,000 net tons. Apart from what I have already said of the industry, the seam found in this coal field is what is known as a surface seam. It is not found at any great depth below the surface, anywhere, as yet. The deepest shaft would be approximately 120 feet. The average would be, perhaps, around fifty and sixty feet through the seam. Then, the seam itself is comparatively speaking, small, being from 18 to 24 inches in thickness. Being near the surface,

it has certain advantages, such as easier access and less cost in capital expenditure. However, the thinness of the seam makes for much higher cost of production. The reason for this is that in order to give the miners sufficient head room to work, it is necessary to remove a considerable quantity of overlying shale. This shale, I think I can safely say that taking the industry as a whole, for every ton of coal taken out, a ton of this shale has to be removed. The cost of removing the shale is equal to that of removing the coal, and, of course, there is no income from the shale. The industry was carried on in a very small way for over one hundred years.

In 1903 a railroad was built into the field from the east and connected with what is now the Canadian National at Chipman. The production from this field then grew to about 50 or 60 thousand tons a year. In 1913, the railroad was extended through Minto, which is the centre of the industry, to ~~Fredericton~~ ^{Fredericton}, giving an outlet to the west and the C.P.R. lines. Another increase in production took place at that time which was very marked during the latter years of the war and the years immediately succeeding the war. By 1931, the output had reached 182,181 tons, that is, net tons. Approximately 1,200 men are employed in the winter and they are given steady employment. In the summer, the demand drops off to a very marked degree. Sometimes production is so slow that there is work for men only one or two days a week. I suppose the average would be about three days a week. These men find it very difficult to make a living during this season of the year and the operators find it very difficult to meet expenses. We are just now entering upon that slack season and the mines are not running steadily.

The mining is carried on by seven or eight operators with an output ranging from 156 to 170 thousand tons a year.

Then, there are some smaller operations with less than ten men employed. This is where the coal is very near the surface, and it accounts for about 5 per cent of the total production.

About 1931, the industry began to feel the general business depression severely, though we worked continuously. In fact, we are able to employ more men now, though we have not recovered, as yet.

Paragraph four of the brief reads as follows:

"The amount expended by the operators for wages and supplies is roughly \$1,000,000 annually."

This is an approximate figure. The supplies would include such items as timber. This timber is bought locally and gives employment to an added number of men, lumber men and farmers who do some lumbering during the winter. Paragraph five reads as follows:

"For some years prior to 1934 the mining was carried on at a very small operating profit. There was no interest available on capital invested. From 1934 up to the present time the mines have been operated at an ever increasing loss.

The Dominion parliament, recognizing that there must be some assistance provided to the coal industry of Canada, arranged by legislation for certain subventions to be made to coal mines both in the east and in the west for the purpose of encouraging the consumption of Canadian coal in order that the operators might successfully compete in the provinces of Ontario and Quebec with the producers of coal in the United States and in other countries."

As I mentioned a moment ago, the output in 1931 was 182,000 tons. Endeavouring to overcome the situation with which we were faced, falling prices, and a drop in demand, it was found necessary to make very drastic reductions in the sale price, as well as to endeavour to increase our output. Thus, by increasing the volume we hoped to reduce our cost per unit, that is our cost per ton. By 1936, the output had increased to 368,618 tons. This increase was brought about by reasons already mentioned, and it was made possible by the construction within the field of a steam electric power plant. This plant was established by the electric power commission and last year the plant consumed 33,000 tons. We were also able, through a reduction in price, to obtain a considerable increased order from the Canadian National Railways, in 1932 of approximately 60,000 tons. About the same time what we call stripping operations were started and have been carried on since then. Stripping had been done some years before, but it was stopped.

I might explain what we call, "Stripping". In this operation the coal is comparatively near the surface, within twenty or twenty-five feet of it. The overlying burden is removed by steam shovels or some other heavy excavating machinery. Then, instead of going underground to the coal seam, it is simply laid bare and is removed, either by hand or by machinery. It is a much cheaper method of extracting the coal. The amount of labour employed, very generally, is small, being almost wholly worked by machinery. The coal which is found this close to the surface is not of the same quality as that which is found at a greater depth. It is what is called locally "soft coal". Of course, all the coal mined here is bituminous,

but locally this is known as soft coal because it is very soft. It breaks up in handling, but it has some qualities. It has been weathered, that is what has actually taken place. The weather has softened the coal and removed some of the ash and sulphur which coal contains and this coal is lower in ash and sulphur than the coal found at greater depths. These are distinct advantages. Nevertheless, this stripping coal is sold at lower prices. Last year it accounted for approximately 41,000 tons of the output of the district. In addition to that some increases were made in the shipments to the pulp mills, particularly to the pulp mills owned by a subsidiary of one of the pulp and paper companies. Altogether, from these different sources, a market was obtained for the increase between 1931 and 1936 of 169,000 tons. However, at the same time our price dropped eighty-two cents a ton. The figures for that drop in price are taken from the figures of the Dominion Fuel Board which has a report on each operator every year.

In this paragraph, as we go on, we find that there are many comparisons with Nova Scotia. Nova Scotia is a large coal-producing province, the largest in the Dominion, in fact. It is a little greater than Alberta. The New Brunswick industry, in comparison is small, but very important, we think, to this province, distributing as it does a million dollars in wages. The price of Nova Scotia coal over the same period, getting the figures from the same source, has dropped only fifty-eight cents a ton. The great drop in our price made the reduction in wages absolutely necessary if the industry was to be continued. We are always looking forward, of course, to the end of the depression and a return to former prices. Unfortunately, in recent years, the opposite has taken

place. The industry is going from bad to worse. The Dominion Fuel Board gives the profit of the industry in 1931 as fourteen cents per ton. In 1932, it was twelve cents per ton; in 1933, fourteen cents per ton, and in 1934 it dropped to three cents per ton. In 1935, a loss of eleven cents per ton was shown, while in 1936, the loss was three cents per ton; 1936 was the last year for which the figures were available. In 1937, the situation will undoubtedly be found to have been much worse. Taking the 1935 figure of a loss of eleven cents per ton, that meant a loss to the industry of about \$38,000. I would like to point out that these costs and consequently, profit and loss, do not include any interest charges on bonds. The government's annual report on the coal industry gives the capital investment in the industry as \$1,400,000. However, no operating company has an issue of bonds, so there is no bond interest in the charge for the cost of coal and it does not add to the loss as shown. If we took 6 per cent on that capital, we would have a total of \$84,000. This certainly would not be an unreasonable profit, yet we show a loss of \$38,000 in 1935, so that even during the years in which a small profit is shown, there is no profit if you show the interest on the capital investment. For instance, in 1931, which is a year which showed a small profit of around \$25,000, calculating 6 per cent on our capital, we should have received \$84,000. So, during all these years, we can properly say that we have been showing a loss and now, this loss is increasing.

Paragraph six of the brief reads as follows--oh, I think I did read paragraph six. The assistance mentioned in paragraph six is a thirty per cent reduction of the freight

rate for an all-rail haul to the provinces of Quebec and Ontario. It is one-sixth of a cent per ton mile up to a maximum of \$1.50 per ton, for railway coal, that is for coal which is used by the railroads. For railway coal, especially to Quebec and Ontario, there is a maximum assistance of \$2.00 per ton, depending upon the difference of price of imported coal and what would be considered a fair price for New Brunswick coal, as would be established by the Dominion Fuel Board. Unfortunately, New Brunswick has not been able to benefit by this freight rate assistance, to a practical extent. On the other hand, Nova Scotia has been greatly benefited, and that has made it so much the worse for our industry in New Brunswick.

Paragraph seven of the brief reads as followx:

"This assistance was in the form of freight rate reductions and the government of Canada assumed the loss to be incurred by the railways by reason of the reduced freight rates.

The effect of this legislative provision was that mining of coal in the province of Nova Scotia was most substantially encouraged. In the year 1937 that province produced some 2,000,000 additional tons, or fifty per cent more than had been mined in previous years. The cost to the Dominion in 1937 in respect of this subvention to Nova Scotia coal was approximately one and three quarters millions of dollars."

I might just mention here that since this brief was prepared more recent figures have been obtained for the coal output of Nova Scotia. These figures would show that the additional tons should read 3,000,000 instead

of 2,000,000. Nova Scotia has really increased its output by 3,000,000 tons.

Now, the assistance given Nova Scotia is on a somewhat different basis than that given New Brunswick. On a rail haul to Quebec the same thirty per cent reduction in the freight rates is given, but it is one-seventh of a cent per ton up to a maximum of \$1.50 per ton. The great difference comes in the water shipments. Shipments to Ontario and Hull, Quebec, on coal shipped by water and trans-shipped by rail enjoy assistance of one-third of a cent per ton mile, with a maximum of \$1.50. The one-third of a cent is after the water shipment and is a great advantage to Nova Scotia.

MR. STEWART: Is that one-third of a cent upon the whole distance, both water and rail, or just the rail haul?

MR. EVANS: No, on the rail haul.

MR. STEWART: There is no subvention on the water rate, is there?

MR. EVANS: No, just on the rail haul. The water rate, I think is around forty or fifty cents per ton. Just to show what this has meant to Nova Scotia, I will give the following figures. In 1931, the freight rate assistance paid on coal shipped from Nova Scotia was \$235,000. The largest shipper in Nova Scotia, is of course, the Dominion Coal Company. This is mentioned in paragraph nine of the brief which I will read:

"Coal mining in Nova Scotia is one of the principal industries. Approximately twelve thousand men are employed. The Dominion Coal Company is by far the largest operator. It is one of the few companies which is able to transport coal by water to Montreal. The legislation

"provided assistance to the movement of coal by water to Montreal and then shipped by rail to points in the provinces of Quebec and Ontario. Through this special arrangement the Nova Scotia industry has been able to turn an annual loss into a most substantial annual profit.

By virtue of its increased production, the Dominion Coal Company and other mining companies in that Province have been able, through the reduction in overhead and by reason of discriminatory freight rates, to market a substantial part of their coal in our own province of New Brunswick."

Just to follow, then, these payments on freight rates assistance to Nova Scotia. In 1931 the assistance--I have already given that figure. This assistance really began to be effective in 1933 and in that year the government paid \$1,244,533.00 in assistance to Nova Scotia. In the same year New Brunswick received \$981.00. This increased during the years until 1937 when Nova Scotia received \$1,786,254, while New Brunswick received \$336,263. As the brief says, there is a great advantage to our sister province, Nova Scotia. However, we are not finding any fault whatever with that province receiving this assistance. It undoubtedly needs as much assistance as possible. Our coal mining in Canada is unfortunately situated in the extreme east and west, while the chief consuming centre is in the central portion of Canada. Unless some assistance is given, Canadian coal cannot reach the points of consumption. What we do complain about is that Nova Scotia benefits to such a large extent and New Brunswick benefits to no extent whatever.

It is made possible, not only for Nova Scotia to reach out and get these markets in Ontario and Quebec, which we are very pleased to see Nova Scotia get because it takes the place of imported coal, but it makes it possible for the industry in Nova Scotia to sell its coal at a lower price per ton. Naturally, with the increased volume a unit can be produced at a lower cost. This is probably true in every industry and it is certainly particularly true in coal mining. Nova Scotia's output was increased from 4,000,000 tons to around 7,000,000 tons last year. Last year, Nova Scotia's production was 7,227,768 tons, the highest production since 1915. Of that amount, practically 2,000,000^{tons}/were shipped under this freight rate assistance. It has been possible, I say, for the industry in that province to produce coal at a lower cost per ton and then come right into the province of New Brunswick, which we consider is the logical market for our coal. We find that both railways and consumers other than railways use more Nova Scotia coal in our own province than they do New Brunswick coal. The bituminous coal used in New Brunswick in 1936, the last year for which figures are available was 848,072 tons. Of this amount, the total from Nova Scotia was 527,678 tons and the total from New Brunswick was 320,394 tons. Possibly, it may be contended that this is not a fair comparison, so I will give the figures for 1937. No, that was the year we unfortunately had a strike which cut our production. 1936 should be a fair year, and yet we find in that year Nova Scotia takes a very much larger share of our provincial business than we do ourselves. Much of that quantity was consumed by the railways. The railway coal used in New Brunswick, produced in Nova Scotia, in 1936, was 163,416 tons, and the railway coal

from New Brunswick was 166,601 tons. We broke even, approximately, on this score. Then, the coal, other than that used by railways. Of that amount, Nova Scotia supplied 364,262 tons, and New Brunswick supplied 153,793 tons. Now, we believe that the large body of coal coming into this province from Nova Scotia is attributable to a large extent, to the freight rate assistance and subventions. The Nova Scotia industry is able to get the price at such a low level that the New Brunswick industry is not able to compete at a profit and is showing a definite loss. It is going from bad to worse and cannot continue to exist unless there is some change for the better.

Then, there is another reason which is dealt with in paragraph eleven of the brief.

"Owing to the fact that the mines in this province are situated inland and that the shippers have to bear an unreasonable freight rate as compared with that afforded to the province of Nova Scotia, it has been impossible for New Brunswick to take advantage of the above mentioned arrangement made to encourage the shipment of coal. This province has not participated in the assistance which was designed to be afforded."

This deals with the matter of the freight rates apart from the subventions and the freight rate assistance from the government. This deals with the actual freight rates in force on the railways which discriminate against New Brunswick. I have a long list of the rates here making comparisons, but I do not think it will be necessary to take time to read it. I can submit this as an exhibit, but perhaps we could take a few instances. For instance, our freight rate from Minto to Fredericton which is only 33 miles is \$1.10 per ton or 33 mills per

ton mile, while we have a rate from Springhill to Fredericton of \$1.10 or eight mills per ton mile. We have the same state of affairs existing in the shipments to the large consuming centres in the province of Quebec. We find the general mill rate for Nova Scotia is lower than that for New Brunswick. Now, I believe, the explanation is that the Nova Scotia industry was in existence many years before the New Brunswick industry. The rates were established, I believe, to a large extent on the old intercolonial railway when everything was done to encourage industry. The low rates were in force then, and they have been held to a large extent at the same level. Whereas, in the case of New Brunswick, we have come into the picture since that time. Our rates are higher and there is a large proportion of our output which has to be shipped out of the C.P.R. I believe the rates of this company are established on a revenue-producing basis, while a great many of the C.N.R. rates are, at least, based on costs. In addition to the subventions, we believe this is a discrimination against us.

At this point, I would like to mention another matter which has been brought to my attention within the last few days which seems to be most unfair. I find that the freight rate from St. John to Sherbrooke and Montreal on imported bituminous coal is fifty cents a ton less than the coal shipped from our own mines in New Brunswick to the same point. Even on the basis of the net ton rate, from St. John to Montreal, the rate is \$1.91 cents on imported bituminous coal and on our own coal from Minto to Montreal the rate is \$2.40. We have to pay more for coal produced in our own province than a shipper who ships from the United States via St. John.

COMMISSIONER DAFOE: Is that part of a through rate?

MR. EVANS: I presume it would be, that is the import rate, \$1.91. This is actually given in the tariff in long tons, and as our rates are in short tons, I had to make the change in rates.

COMMISSIONER MacKAY: Is that the winter rate or the summer rate?

MR. EVANS: It was given to me as the year 'round rate, \$2.14 on the long ton.

(Page 8703 follows)

Then reading on in the brief:

"Whatever coal has been shipped from this Province is taken from open pit stripping operations at costs sufficiently below regular mining costs to admit a price as being quoted at points in Quebec which, together with freight assistance, enabled the small operators in respect of these stripping operations to market some of such coal in that Province. These stripping operations are of a more or less temporary character. The shaft mining operations are the principal part of the coal industry in New Brunswick, there being ninety-five per cent of the men employed in such last mentioned operations.

Our submission is that the subvention which was designed to afford assistance to the coal industry in Canada has not had the intended effect in this province and that some provision should be made to meet the difficulties under which the mining industry here is operated.

As abovestated, the subvention referred to, while not giving any assistance to our local industry, has had the effect of distinctly injuring such industry.

Operations have been placed at a disadvantage in connection with the supply of coal to large consumers within the province, through the operation of low per ton mile freight rates from Nova Scotia to such consumers in this province thereby interfering very radically with the natural geographical advantage which New Brunswick would have.

The result is that the operators in Nova Scotia have captured the market to a considerable extent,

"which should be reserved for this province.

With their larger operations and advantages they obtain most discriminatory freight rates. They are enabled to undersell New Brunswick coal at many points within this province."

I have already mentioned, to some extent, the matters dealt with in those paragraphs. The next paragraph reads:

"It appears from a statement made by the Dominion Coal Company that there has been a market during the past year for 500,000 tons of Nova Scotia coal in addition to what that province was able to produce.

Under the above mentioned subvention the Nova Scotia output has been increased two million tons in the last five years, while the increase in New Brunswick production that could be attributed to the subvention is practically negligible."

As I said before, the two million tons referred to in the brief, perhaps that could correctly be said to be an increase of three million tons because of the much greater output last year, of which figures are now available since this brief was prepared. Reference is made in this paragraph to the subvention that is paid in New Brunswick, applying practically altogether to what we call stripping coal. I would like to draw attention to the tonnage; the tonnage shipped from New Brunswick last year, as given by the Dominion Fuel Board, was 41,087 tons, - the assisted tonnage. Turning to our own provincial report, we find that the coal produced in stripping operations was forty-one thousand and some odd hundred tons, - practically the same. So that the freight rate assistance is not helping the shaft mining, and I think it is fully proven by those figures. There may be a few odd cars of shaft-mined coal that do get the assistance.

but it is so small as to have no practical benefit to the industry. The stripping coal goes for one reason only, and that is, assistance, taken with the low price at which this coal is sold, makes it possible to reach some markets in Quebec.

MR. STEWART: Can you give us any idea as to the increase in the last five years in tonnage, in New Brunswick, on which the subvention has been paid?

MR. EVANS: Yes. The tonnage has increased; for instance, 1931 the tonnage was just 162 tons, about three carloads of coal; in 1932 896 tons; in 1933 981 tons; in 1934 8609 tons; 1935 10,544 tons; 1936, 15,314 tons. I find I am giving the dollars, do you want the tons?

MR. STEWART: I think that would be better.

MR. EVANS: In 1937, 32,633, - that is the amount of assistance paid. Now the tonnage from New Brunswick; in 1931, 293; 1932, 1,195; 1933, 1,163; 1934, 10,196; 1935, 14,326; 1936, 20,889; and 1937, 41,083. It follows, I would say, very closely the production of this stripping coal. Stripping has been increasing during the past few years because of the possibility of shipping to the Province of Quebec and the assisting freight rates, producing coal at low cost, but it has also been said - and I wish to emphasize it - that these stripping operations employ a very small number of men, which is an important factor from a labor standpoint. The wages paid, I would say, on the whole are very much below the wages paid to the underground men, so that the province does not benefit. The whole surrounding country benefits from the wages paid to the miners, providing a very large market for the farmers and lumbermen and others.

This statement from which I have been reading these

last figures, I have a copy here. It makes several comparisons, and I would like to submit this as an exhibit.

THE ACTING CHAIRMAN: Go ahead, and we can file it in a few minutes.

MR. EVANS: I will read the next paragraph of the brief:

"The freight rates on Nova Scotia coal to points in New Brunswick are lower, relatively, than the rates fixed upon shipments from our coal fields to the same points. This differential and figures in respect thereof will be submitted at the hearing."

And these figures we have here now.

"The operation of the Canadian National Railways in respect of the purchase of coal for consumption in New Brunswick has also been discriminatory against this Province. That railway company is now buying only fifty per cent of their New Brunswick requirements from New Brunswick coal operators."

MR. STEWART: What do you mean by "their New Brunswick requirements"?

MR. EVANS: The coal used on their New Brunswick lines.

MR. STEWART: Within the Province of New Brunswick?

MR. EVANS: Yes.

MR. STEWART: Do you mean on freight originating in New Brunswick?

MR. EVANS: No, just on the New Brunswick lines. I have the figures here on C.N.R. consumption. In 1936 the C.N.R. purchased for use in New Brunswick 220,819 tons; in 1937, 248,791 tons. Now, of the 1936 consumption New Brunswick received only 101,819 tons, about 45%, while

119,000 tons were purchased in Nova Scotia. In any event, we did not ship any coal to Nova Scotia; they shipped a lot here. We are not sending coals to Newcastle. In 1937 New Brunswick supplied only 83,491 tons of the coal consumed by the C.N.R. within this province. Now, that may not be a fair comparison. I am not offering that as a fair comparison, I think 1936 is perhaps fair because, as I said before, a strike took place in the middle of October and the C.N.R. was unable to purchase any coal in New Brunswick from then until the end of the year. That probably cut down their consumption of coal from New Brunswick very substantially. Now, the C.N.R. mileage in New Brunswick is 1,260 miles, while in Nova Scotia it is 1,008 miles, so that there is no reason there why New Brunswick should not receive a fair share of the coal consumed. The mileage in New Brunswick is greater than that in Nova Scotia.

In addition to this coal shipped to New Brunswick, Nova Scotia also enjoys a very large tonnage from the C.N.R. shipped to other provinces. I have the figures here. The C.N.R. purchased from Nova Scotia mines in 1937, for use in Nova Scotia, 322,354 tons; for use in New Brunswick, 165,300 tons; for use in Quebec 616,784 tons; for use in Ontario 235,423 tons, or a total purchased by the C.N.R. in the Province of Nova Scotia of 1,339,861 tons. In 1936 the same purchase amounted to 1,253,287 tons. Now, from New Brunswick the C.N.R. purchased 83,491 tons for use in New Brunswick and 33,276 tons for use in the Province of Quebec, or a total of 116,767 tons. That was in 1937. In 1936 the figures were 101,819 and 28,719, a total of 130,538 from New Brunswick. There is one item here which I would like to point out, in reference to the tonnage to

Ontario; assistance to the extent of \$274,000, was paid to the Province of Nova Scotia for its railway coal. Nova Scotia has increased the railroad coal shipped 171% since 1933, since the subvention became really effective, and New Brunswick has increased 7%.

"Our submission is that it should be arranged that this coal be purchased in New Brunswick provided, of course, that a fair price be fixed from time to time as conditions warrant. It is felt that there would be no difficulty in respect to the price but the same would be determined either by agreement or by some authority authorized to fix the price. If there were any discrepancy in respect to the price of coal the amount of the same should be provided out of the Dominion treasury. "

The Dominion Fuel Board is doing that to-day in fixing what is a fair price, and that is what we would ask in that connection. That is all I wish to say, Mr. Chairman, and gentlemen, and the other operators here will deal with the remaining paragraphs.

THE ACTING CHAIRMAN: You may file the statement as an Exhibit.

MR. STEWART: Dr. Warwick's annual report of the chief medical officer, the Department of Health for New Brunswick, 1937, is to be filed as Exhibit No. 361; then there are three Exhibits which the present witness wishes to file.

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| EXHIBIT No. 361. | Annual Report of
New Brunswick
Department of Health |
| EXHIBIT No. 362. | Statement as to
Freight Rates in
New Brunswick. |
| EXHIBIT No. 363. | Letter dated April
2nd, 1937, New
Brunswick Coal
Producers Associatio
to New Brunswick
Inspector of Mines. |

EXHIBIT No. 364.

Notes and figures
as to Presentation
of Argument affect-
ing the coal mining
industry.

MR. EVANS: It has just been pointed out to me, Mr. Chairman and Gentlemen, I spoke of the third of a cent assistance per ton; the question was asked as to whether that applied to water as well as rail. I have found out that it is on water west of Montreal with respect to coal mined in the Province of Nova Scotia.

HON. MR. JONES: Mr. Chairman, another gentleman interested has only a few words to say on this same matter, but it will be very brief. Mr. Alton Taylor.

MR. TAYLOR: Mr. Chairman and Gentlemen, the only reason we took this matter up with the provincial government—and they are very much interested in our industry and helped us in bringing our case before the Commission in this manner, — we feel justified in doing that because after all, with respect to the All Canadian Fuel Policy that has been sponsored by the Dominion Government over the past twelve or fifteen years, we do not feel we have derived the benefit that is the intention of the legislation. Briefly, the intention of the All Canadian Fuel Policy was to make Canada self-supporting from a fuel standpoint. We know how important that is, and that is the reason why we feel we are justified in pointing out the things that have already been pointed out to you this afternoon. Statistics are not very interesting, and they are all being filed, but we feel that the industry is entitled to as much assistance as the Nova Scotia industry. It has been pointed out that the Canadian National Railway is one of the largest buyers of coal in the province. Its lines run right through these coal fields.

We would suggest, and what we ask is that your Commission recommend that the Canadian National Railway purchase at least 200,000 tons of their requirements from the New Brunswick operators because we believe that on a price-quality basis on coal delivered at Hardwood Ridge and Chipman we can give better value than the coal now being supplied. If this deduction is not absolutely correct we believe as a part of the Canadian Fuel Policy, instead of money being allocated to subventions to haul Nova Scotia coal past our door, that this money be allocated to pay any differential that might exist, but which, according to our best information, does not.

We feel that that primarily is the most important request that we can make for the benefit of the industry as a whole, both from the operators' standpoint and the miner's standpoint and the province's standpoint. We believe it is reasonable, and that we are not asking the Federal Treasury for any more money and the Province is not asking for any more money to carry this out, and we think on that basis it should be considered.

The other points to which reference has been made, - the difference in freight rates between the points of origin of coal in Nova Scotia and points of origin of coal in New Brunswick, you have the tabulation, but it will be surprising when you go through this tabulation to find that on a ten mile basis from certain points of origin in Nova Scotia and comparative points in New Brunswick to the same destination there is practically a 250% higher freight rate on a per ton per mile basis on New Brunswick coal. We feel that on a per tonnage basis that instead of the very small sums that have been given the shippers during the past two or three

years that there should be at least \$100,000 available for the promotion of the coal industry on the same rate per ton as Nova Scotia enjoys. We would suggest that your Commission should take into consideration the policy that we believe is correct, of burning New Brunswick coal in New Brunswick. If assistance can be given in freight rates to the points of consumption where water-borne coal comes in competition, we believe we could capture and retain a great deal more of our own market, and we believe it would benefit the political economy of Canada as a whole to do that, rather than to haul coal away from the mines. The whole thing sums up that we have an industry which is in difficulties, with industry in a sister province, and in the western provinces, being very materially assisted. Just in the way that legislation and orders-in-council have been drafted to date, we have not been able to take the advantage which we feel was intended. In asking that freight rates and our subventions apply at a point within the province, that is certainly a radical change from the way this question has been handled in the past, but we ask specific legislation covering Nova Scotia coal, for instance, which we have no quarrel with, except water-borne coal carried to Montreal and then trans-shipped into cars there and hauled by rail enjoys a subvention of a third of a cent going to points west, with a maximum of \$1.50 per ton, and we cannot enjoy that. It is reasonable to ask that consideration be given to the point that we can ship to water points in New Brunswick where we meet competition with foreign coal, and that some assistance be given. There is another point in connection with this, in that the manufacturers and consumers generally in the Provinces of Quebec and Ontario have received and do receive a decided

advantage through the subventions. Now, we have some industries in New Brunswick that are coal consumers and of course, they will naturally buy in the cheapest market, and anything in the way of additional tariff would probably have the effect of making it that much harder for them to do business. But I think the business in New Brunswick, especially those engaged in the export market, should be given the advantage of securing cheap fuel in comparison with the industries of Quebec and Ontario. There is no doubt in our minds that the All Canadian Fuel Policy is the best political economy for all citizens of Canada. We believe that your Commission will agree with us, however, when we claim that subventions are direct governmental subsidies to an industry, and the amount of money paid to the assistance of marketing Nova Scotia coal is a direct subsidy to the coal industry of that province and an indirect subsidy to practically every resident of that province. That being so, would it not be fair to assist the New Brunswick industry on the same pro rata tonnage basis? Are we not justified, then, from a sound, economic basis, in our claim that New Brunswick coal should be used in New Brunswick? This being so, we have pointed out where the markets lie, and we have pointed out that through conditions over which we have no control these markets at the present are closed to us, then we say in fairness that the pro rata tonnage compared with the Nova Scotia industry should be given to New Brunswick in such a way that we may market our coal in our own logical markets. All we need to carry out this purpose is some assistance from the Railways; and that the subvention of coal in addition to, applying on points where the western manufacturer or consumer can share in the lower costs of

fuel, that this application for freight rates assistance or subvention be made to apply to points within New Brunswick that are large industrial users where we cannot now compete on account of water borne coal .

We feel that your Commission will consider this matter carefully, knowing as we do, that if these things are granted our industry will be on a firm basis and will be a much greater asset to the community than we are at the present.

HON. MR. JONES: Mr. Chairman, and Gentlemen, in the ordinary course of the brief we stopped at page 44, beginning with highway construction, and passed over for the benefit and convenience of these gentlemen who have just spoken.

COMMISSIONER ANGUS: Mr. Jones, just one question before leaving that point. Apart from the question of whether a subsidy is being fairly administered as between two competitors, if the question is raised of reserving the market of a province for the products of that province, does that not involve an interference with interprovincial free trade, which would lead to a good many similar demands throughout Canada?

HON. MR. JONES: I quite agree it may. Well, I am not going to take up any further time because this matter has been covered and whatever arguments can be made, have been made. I will read this part and then I want to call the Deputy Minister of Public Works to furnish some figures in connection with it.

"It is universally admitted that in view of the requirements of trade and the encouragement of tourist traffic permanent highways have become a matter of national importance.

"In the early days of Confederation there was no thought of the development that has taken place in this regard.

But as early as 1919 the necessity of providing suitable highways throughout the Dominion was recognized by Parliament and a grant of \$20,000,000 was made to assist the Provinces in the construction of highways. Each province was to be allotted annually a flat sum of \$80,000, the remainder of the annual grant being apportioned according to population. The grant was limited to forty per cent of the cost of construction or to the improvement of the highways.

Regulations were formulated and the expenditure under the Act was to be an addition to the usual expenditure for highways in the several provinces. The provinces were to submit a five year program of construction together with a classification of roads according to their importance.

This project proved to be on the whole very successful for the reason that the Dominion was able to exercise control over the expenditures. Just as in the case of old age pensions, there was adequate supervision by the Dominion.

At the time this legislation was passed good motor highways in Canada were almost non-existent, and the standard of construction was not such as would be considered at the present time sufficient to meet the needs of tourist travel. A great many of the roads were of gravel construction. New Brunswick had easy gradients and good supplies of gravel and it was able to build a large road mileage. Ontario and

"Quebec built more hard surface roads than did the other provinces. Ontario earned its whole federal grant of \$5,877,300 on 638 miles of road.

These grants were made for a limited period.

The Act resulted in the reorganization and extension of every provincial highway department. A vast program of construction was begun. Federal engineers were placed at strategic points and they held the provinces up to reasonable standards. The depression in 1921 checked the progress of this scheme and an extension of two years was granted. This time was further extended for an additional two years and the grants were then discontinued. Some lesser grants were made later; the particulars of which will be furnished at the hearing.

The reasons for the success of the measure are apparent. They are, first, that the aims to be attained were comparatively simple; and second, that the federal administrative staff was sufficient.

In this legislation the Dominion again recognized the principle of fiscal need. Something had arisen which was not foreseen at Confederation. It was considered by the Dominion that the provinces could not provide out of their limited sources of revenue for this service which was demanded by the people under modern conditions. Therefore the Dominion came to the assistance of the provinces in order that these demands could be met. It was the same principle as that adopted in connection with provision for old age pensions and it is the same principle that should be applied in connection with these other ser-

"vices for which the provinces are primarily responsible and which are demanded throughout the Dominion."

MR. STEWART: That is not the basis of fiscal need that you referred to some time ago, Mr. Jones, is it?

HON. MR. JONES: In what respect?

MR. STEWART: In the case of highway construction; it was done on a basis of population; the assistance was given on the basis of population and not on the basis of the fiscal need of each individual province.

HON. MR. JONES: Well, nevertheless the province needed the money, it does not matter on what basis it was given. Ultimately and fundamentally it was to assist the provinces because they were not able to construct these roads. Whether it was given on a per capita basis or on any other basis it seems to me it does not affect it; it was given because the provinces had not enough taxation possibilities to secure money to fulfil modern needs, and that, I think, is the principle of fiscal need, -- that if they have not enough, and the public are entitled to these services, whether they be hard-surfaced roads or whatever they are, it is the principle of fiscal need.

MR. STEWART: No distinction is made between the rich and poor provinces?

HON. MR. JONES: No, I admit that. I suggest we should go farther as I explained before, and a distinction should be made, but at the same time I think the principle of fiscal need should apply. It was money furnished by the Dominion to the province to help the province do something that the revenue of the province, generally speaking, would not permit their doing, in the national interest.

"Why should the provinces now be compelled to continue this necessary public service out of their own resources? There is just as much reason at the present time, and probably more reason, that the provinces should be assisted in this respect. Every province has had to keep on with the extension of the service. Large increases in public debts on account of the construction of permanent highways have had to be made. As above stated a modern class of highway construction is of national importance. If any province reverted to the conditions which obtained before hard surfaced roads were deemed necessary, it would react in a detrimental way throughout the whole of the Dominion because of the necessities of tourist travel.

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"The construction of high class roads is of importance to the nation, not only for reference to trade and commerce but especially in case it becomes necessary to defend the country in time of war. The implements of war are now largely mechanized and it is absolutely essential that, in considering matters of defence, account must be taken of our means of transportation of war material and personnel.

The interest on that part of the public debt attributable to the construction of permanent highways has had to be borne by the provinces and this charge contributed toward the creation of the fiscal need" - which obtains here. That is because we have to do practically the whole of that work, for which there was a public demand, which cannot be resisted and must be continued, or the satisfaction of that demand must be continued. We have had to bear the interest on that outlay.

"In view of the fact that the Province of New Brunswick has provided highways of such a nature as to be necessary in time of peace and for the protection of the nation in time of war and has incurred a relatively large amount of public indebtedness in their construction, it seems only fair that the Dominion should assume part of this burden.

We trust that the Commission may be able to recommend to the Government of Canada that some concession be made to the Province in respect of highway construction."

In that, as well as in some of our other submissions, we have not made any arbitrary claim. As I stated before

we want the Commission to have, if we can present it to them, a picture of the conditions as we see them, and the rest is to be left with the Commission as to what remedy may be provided.

Now, if Mr.Barber is here I would like to ask him just about some figures.

A.W. BARBER, Deputy Minister of Public Works was called.

BY HON. MR.JONES of Mr.Barber:

Q. Mr.Barber, could you give us some figures as to what has been received from the Dominion in reference to the trans-Canada highway construction and also in reference to other highways during the period in question?

A. I have here the figures of the moneys we have received from the federal government on the trans-Canada highway, but I have not got the figures on the other highways just here at present.

About the year 1930 we found that our present gravel roads in a great many cases would not carry the existing traffic. It was absolutely necessary to start in and build some type of better road to carry the traffic. In that year I think the sum of \$10,000,000 was voted and any work we have been doing on our principal trunk highways since that time has been with the idea of eventually putting a hard surface on them. We had a sort of semi understanding that the Dominion Government would pay 50% of the cost of constructing the trans-Canada highway. This has not been done. They have paid certain sums on certain projects but since 1930 we have expended on our trans-Canada highway \$11,323,000.00 of which we received from the federal government, \$1,300,000. If we had received the 50% of the cost we would have received \$4,361,000 more from the federal government than we have already received.

We estimate now to complete the trans-Canada highway up to our present standard, including bridges, will cost us another two and a half million dollars. This work will be completed this year with the exception of a few bridges. And if the Dominion Government were to contribute according to what our understanding was they would owe the province, by the end of this year, somewhere about \$5,600,000 on trans-Canada highway.

I might say the total length of our trans-Canada highway in the province is 474 miles and that will be completely hard surface by the end of this present year.

Q. Then, in reference to other hard surface highways?

A. In order to keep the people contented, in order to attract tourists, as I see it, we have really got to pave the balance of our trunk roads, and in addition to that possibly 100 miles of secondary roads. That will be a total of 750 miles in the future will have to be paved if we want a contented province. We estimate that will cost somewhere in the vicinity of \$28,000 a mile, which will take another \$22,000,000 roughly to complete the paving of our trunk roads and the important secondary roads that are carrying too much traffic now for a gravel road to bear.

Q. And how much of that has been constructed now up to the present?

A. I have not got those figures here. I can get those and file a statement with the Commission if you want, Mr. Jones.

Q. Yes, that will be quite satisfactory. A statement as to the amount that has been expended outside of the trans-Canada highway on hard surface roads up to the present time? A. Yes.

Q. And also any amounts that have been received from the Dominion in that connection?

A. I might say the amounts that have been received from the Dominion were really unemployed relief grants.

I do not think, in fact we were really told that, say the sum of \$800,000 was available for the province for relief works, we could put that on the trans-Canada Highway and receive 50% from the federal government, or put it on other roads and receive 40% from the federal government. I think these relief grants were based entirely on population and not on need or unemployed, but entirely on a population basis between the provinces.

Q. In any event they were not ear-marked for roads particularly, to assist in paying for the hard surfacing of the roads? A. Yes, they were ear-marked for the roads. We submitted a schedule of the different works we proposed, which were approved of by the federal government, and they were either road or bridge works.

Q. What is the condition, while you are here, Mr. Barber, in reference to relief in New Brunswick, relief payments? Have you discontinued payments for relief?

A. We are not paying anything to any municipality now in the way of direct relief. We are assisting the municipality of St. John and the town of Chatham in relief works.

Q. Are you receiving anything from the Dominion for relief now? A. Last year we received the sum of \$225,000 from the federal government which was equal to the ~~grant-in-~~aid we would have received if we had been handing out direct relief. We took that \$225,000, plus an equal amount of provincial money with it, and did certain relief works in conjunction with the municipalities. In most of these cases we paid 75% of the labour costs.

Q. That is, you applied it in the same way that relief

is generally applied throughout Canada? A. Yes.

Q. And whether it is on a population basis, as you say, or whatever other basis it is on, there was no exceptional basis in reference to the relief which you received?

A. No.

Q. Which you applied on the roads? A. Yes.

Q. If you are correct in saying it was on a population basis it would be, so far as you know, no different from the basis which prevails in other provinces?

A. I believe that is correct.

Q. That is your general belief? A. Yes.

Q. And during the present year what is the situation in New Brunswick as to relief?

A. At the present time I think we have about 650 heads of families that are working on relief works in St. John and approximately 100 heads of families in Chatham. Those are the only two municipalities that we are assisting in any way with works at the present time.

COMMISSIONER MacKAY: Have other municipalities that you are assisting some people on relief?

MR. BARBER: If there are any they are helping them out through their regular poor fund or through the overseers of the poor or municipal homes as the case may be.

HON. MR. DAVIS: I think that is all, Mr. Barber, unless you have something more there.

MR. BARBER: No, I have nothing more.

BY MR. STEWART of Mr. Barber:

Q. What would your ordinary seasonal unemployment in St. John be? A. Pardon?

Q. I understand there are 650 heads of families working on relief projects in St. John? A. Yes.

Q. How would that compare with the normal number out of

unemployment at this time of year in pre-depression days? A. It is a very hard thing to say exactly because in pre-depression days we had no figures as to the number of unemployed there. My personal impression is that in pre-depression days we always had a number that were out of work, but they had not been milking the cow at that time and did not know enough to yell loud enough.

Q. What contribution is made by the municipalities towards relief? A. Works?

Q. Yes? A. The municipality of St. John bears 25% of the labour costs and finds any material in connection with the work; we pay 75% of the labour costs.

Q. And elsewhere? A. In the town of Chatham we are paying 90% of the labour costs.

Q. Now, what administration would be municipal administration? A. Municipal administration?

Q. Do you find it as efficient today as when the municipalities were assuming 33-1/3%?

A. Well, at the present time where we are simply giving assistance to those who are able to work we find the administration to be better than it was in the old days where they were giving direct relief. The simple reason is in assisting only where works are being done the unemployables are thrown back on the municipality where they rightfully belong.

Q. They are 100% on the municipality now? A. Yes, they are 100% on the municipality.

Q. But when direct relief was being given and contributed to, did you find the local administration by the municipalities better when they were contributing 1/3 or when they were contributing less? A. The way that I see it is that as the contribution from the Dominion and the province increased the amount of relief increased.

Naturally a person is more careful with their own money than they are with somebody else's, and if the municipality is only paying 10% of the relief they can be much more generous than they can be if they are paying 33%.

Q. The only contribution that is being made by the Dominion and the province at the present time is for work projects for the employment of employables?

A. That is right.

Q. And the unemployables are left to the municipality to carry? A. Yes.

Q. Is there any direct relief being paid in any part of the province? A. No, not that I know of.

Q. How many men are engaged on the road building program?

A. Well, during the winter months and up until the first of June there are very few. I would say roughly that we had possibly 5000 men employed in contracts on the roads in the summer time and possibly an additional 1000 men employed in road maintenance and other similar work.

Q. What contributions were made by the province and the Dominion for unemployment relief in 1937? Have you the figures? A. No, I have not got the figures here. In 1937 direct relief was being carried on in some municipalities until about the first of July. I believe after the first of July we stopped direct relief altogether, and then started on these works. I can furnish you with that from the office for your files, if you wish.

Q. In addition to road work some relief was given in the distribution of seeds? A. Yes, we supplied seeds to new settlers to a certain amount. I think we went up to \$10 per settler. Last spring we used our relief funds to pay for those seeds. They were put in under the

supervision of the colonization branch of the Crown Lands Department.

Q. What was the appropriation for the Dominion in aid of the province last year? What was it agreed upon at?

A. \$225,000.

Q. When the road program is finished do you expect any increase in the number of unemployed men?

A. There naturally will be unless in the meantime business picks up enough to take care of the slack.

Q. That would involve perhaps four to five thousand men?

A. Yes, or possibly five to six thousand men.

Q. Now, when speaking of the trans-Canada highway you spoke about the reliance on a semi-agreement of 50%? A. Perhaps I should have said semi-promise..

Q. Perhaps it was a semi-promise. Just what had you in mind? A. Well, in the election campaign of 1930

I think it was announced that the Dominion Government would pay 50% of the cost of the construction of the trans-Canada highway.

COMMISSIONER MacKAY: Does one always take election promises seriously?

MR. BARBER: We do down this way.

MR. STEWART: I was going to ask if you take them semi-seriously?

MR. BARBER: I think we would have to divide by four.

MR. STEWART: The actual federal government assistance, apart from approved relief projects was confined to the trans-Canada highway, was it?

MR. BARBER: No, they assisted up to 50% of certain approved projects on the trans-Canada highway and 40% of approved projects off the trans-Canada highway.

MR. STEWART: But they were all projects that were approved as relief projects?

MR.BARBER: They were all projects that were approved as relief projects, that is, including the trans-Canada projects as well. I just wanted to make a note of what you asked me to get, Mr.Jones. I did not make a note of it.

HON. MR.JONES: It is the amount of money that was received for hard surface roads apart from the trans-Canada.

MR.BARBER: Yes, and the Dominion's contribution to it?

HON. MR.JONES: Yes, the amount received from the Dominion.

Mr.Chairman, before reading, beginning at page 46, the effect of the tariff, I desire to ask the Commission to permit me to have deleted or expunged from the brief a few paragraphs on pages 49 and 50, Beginning at page 49, the fourth paragraph: "In this connection it is well that the Commission should bear in mind", I would like to, from there down to the end of the third paragraph on page 50, ending "And excessive freight rates", if I might be permitted to have that deleted from the brief. We find that is a matter that it is difficult to establish by any kind of evidence.

"In reference to the tariff we accept the statement of Professor Garrothers in The Canadian Journal of Economics and Political Science, February, 1935, where on page 34 he says: -

"The effect of Canadian Tariff policy since 1879 has been to create an economic situation in which various forces have been released to operate in concentrating the manufacturing industry of Canada in the provinces of Ontario and Quebec."

I feel perhaps I should apologize to you gentlemen for taking up this thread-worn tariff question, because you have had it in some of the other provinces, but at the same time I think it is important from our standpoint.

"It has had the further effect of making it necessary for the people in other provinces to buy largely from these manufacturers operating under a protective tariff. This means high costs of production. At the same time, the other seven provinces being dependant to a large extent on primary production, for which there is an extremely limited market in Canada, are compelled to sell in free competition in the markets of the world, while they themselves must purchase in a protected market.

It may be pointed out that at the time the Confederation financial arrangements were made, there was no contemplation that the Canadian tariff would be used for other than revenue purposes. The use of the Canadian tariff for purposes of protection was inaugurated in 1879 with the so-called 'National Policy' and has been a vital factor in changing the financial picture as it existed prior to that time. Consequently, the situation now is that something in the nature of a subsidy is necessary to redress the balance as between the various provinces of Canada.

Objections may be made to the principle of a subsidy. It has been stated that it is an easy way for the provinces to secure funds and overcome financial difficulties, without having to face their own electors. The danger of the

provincial governments developing 'a most calf-like appetite for milking this one most magnificent Government cow' was seen even at the time of Confederation. However, a different light is thrown on this proponsity as a result of the study which has been made by Professor Rogers, and probably the calf can be excused on the grounds of hunger.

It is pointed out that increases in subsidy payments will not remove the tariff disabilities under which the seven provinces operate. Much will have been accomplished if this study leads to a complete re-examination of our whole tariff policy on a scientific basis. Professor Rogers states: 'It is our contention that the protective tariff from the time of its adoption has failed to meet the just requirements of a national policy in a federal state, that it has been haphazard in its growth, unequal in its incidence, and that it does not represent a fair compromise of the conflicting interests of the other provinces of the federation'. The effect of the tariff has been to restrict external competition while internal competition has been left free. This has resulted in a lack of balance as between the various provinces of the Dominion. A truly national policy would take into consideration those industries which are dependent on export markets, as well as those dependent on the internal market. If this were done, the cost of the Canadian tariff policy to the seven economically oppressed provinces would be reduced.²

Professor Rogers is now the Dominion Minister of Labour."

I may say at that time Professor Rogers, as you gentlemen know, was preparing a brief for the province of Nova Scotia, or making an examination for the Province of Nova Scotia, but I cite it, and I have another quotation from his finding, simply because he was and is a well recognized authority on economic questions, not simply that we seek to bind him for an admission on the part of the Dominion Government.

"We submit that the above expresses fairly what is a matter of common knowledge.

The suggestion has been made that the provinces have become parties to the policy of protection for the reason that some of the Members of the Dominion Parliament voted in favour of such policy. The provinces could not be bound in any way by the action of the Members of Parliament. The provinces, as provinces, are not, and never have been, represented in the House of Commons."

MR. STEWART: I think the argument goes a little further than that, Mr. Jones. The suggestion has been made that other provinces, and I think the case is true of New Brunswick, when the question was submitted in a general election, Dominion election, the issue between national policies and other policies in 1878, in 1891, again in 1911, in all of those elections, I think New Brunswick gave quite a decided majority in favor of the National Policy.

HON. MR. JONES: Oh yes, but it was never submitted as a question for a plebiscite. It was submitted with other political questions and was dwarfed into insignificance perhaps by other considerations. We cannot consider a general election as a fair test of any particular problem that enters into the election.

COMMISSIONER DAFOE: Do you think it was dwarfed into insignificance in 1911, Mr. Jones?

HON. MR. JONES: Yes, by the old flag. That was what the main question was in that election. It was not the question of reciprocity. And we regretted it, I think, in New Brunswick, ever since.

"The provinces could not be bound in any way by the action of the Members of Parliament. The provinces, as provinces, are not, and never have been, represented in the House of Commons.

Confederation was a union of the provinces and it was designed to 'conduce to the welfare of the provinces'."

That is quoted as an expression from the Act.

"Our province continued to be a separate and distinct sovereignty. It was one of the units in the scheme of Confederation.

The provinces can only be bound by their own acts and not by the acts of the Members of the House of Commons who are chosen for considering matters of dominion jurisdiction and policy but not in any way as representatives of the provinces."

MR. STEWART: There is just one point there. You come back again to this point that the province continued to be a separate and distinct sovereignty. You come back to the political status later?

HON. MR. JONES: Yes, I think later we deal generally with it.

MR. STEWART: Yes, you deal at length with it, because there are a number of questions I want to ask in connection with that.

HON. MR. JONES: Yes, we will come back to that. I quite

realize there are some questions you might very well ask, but I will try and answer some of them.

"Even if the provinces had consented to the imposition of a protective tariff, it would have no bearing on the question under consideration. It would not affect any of the conditions detailed by Professor Rogers as above quoted.

The protective principle seems to be fairly well established in Canada.

But it is the effect of the policy with which this Commission has to deal.

If it be admitted that the result of this is as above stated, is it proposed to permit the outlying provinces to carry on with the handicap or to devise some method whereby their disadvantages may be partially overcome?

We realize that there is the greatest difficulty in determining the amount of the loss in New Brunswick which is occasioned each year by the operation of the tariff policy. In Nova Scotia, before the Jones Commission in 1934 Professor Rogers stated that after a careful investigation of the economic position of the Province of Nova Scotia he calculated the net loss to that Province in this regard for the year 1931 at \$4,478,000. His method was to take the total enhancement of prices to consumers because of the tariff and to deduct the enhancement in prices of Nova Scotia products because of the tariff. He also deducted the tariff subsidy on Nova Scotia coal which in 1937 amounted to upwards of \$1,000,000. We are not able to make an estimate of the economic loss to New Brunswick

through the operation of the tariff policy but we trust that the Commission, having regard to the statements of Professor Rogers and the economic situation in New Brunswick in reference to manufacturing as compared with that of Nova Scotia, will be able to make a recommendation which will be fair and equitable in the circumstances.

The disadvantages from which New Brunswick has suffered in relation to the tariff were further accentuated and increased by the unauthorized burden of excessive freight rates on the railways in the Maritime Provinces after 1912.

Principally as a result of these two elements industries became centralized in the Provinces of Ontario and Quebec. Large companies having their head offices in Ontario and Montreal bought up many industrial plants in New Brunswick and then closed them down. The manufacturing in New Brunswick at the present time is insignificant as compared with manufacturing in other parts of the Dominion."

Then, the three or four paragraphs that I asked to have deleted I will not read.

"Nova Scotia has some compensation inasmuch as the central Canadian market was brought within the reach of the coal mining industry." "We have heard about that today. "And that the steel and car manufacturers have received a share of the orders for railway material and equipment from the Canadian railways.

The Jones Commission in its report, in reference to conditions in Nova Scotia, states: -

'We believe that the industries of Nova Scotia regarded as a whole, have suffered materially

from the high tariff policy pursued by the Confederation during the past fifty years. The compensations offered by the Canadian market have not been sufficient to offset the loss of foreign markets. We believe that the policy has been a factor retarding the economic development of the Province and that if a low tariff policy had been pursued the economic development of the Province would have been more rapid and that the Province would have been able to maintain an increasing population on a higher standard of living than has actually been enjoyed in the last half century.¹ Similar conditions exist in New Brunswick.

Having in view the probability of the protective tariff policy being continued, it is quite clear that some relief should be afforded to the Province of New Brunswick. If this were by further grants of money it would not have the effect of overcoming the disadvantages suffered by the people of this Province through the operation of the tariff. The broad consideration is that, as time goes on, the Province may lose the few industrial establishments it now possesses.

No definite finding was made by the Duncan or White Commissions as to the amount that should be granted to the Maritime Provinces in this connection.

The White Commission, although its language is somewhat indefinite, certainly could not have had in mind compensation for this outstanding situation. If it did intend the additional grant of \$300,000 to include compensation in respect

of tariff as well as various other matters that were considered, we submit that such finding was so palpably inadequate that it should not be regarded by this Commission as in any respect final. This Commission is to inquire into the whole matter of the economic conditions in Canada and is not bound by any prior finding. Neither is this Province bound by any finding of this Commission."

MR.STEWART: At the same time, Mr.Jones, do you not think that the White Commission did take into effect or did take into consideration the lack of progress in New Brunswick due to Dominion tariff policy?

HON. MR.JONES: I do not think it was taken into consideration, Mr.Stewart. I do not think it can be found that they considered it at all.

MR.STEWART: I would like you to consider the heading, the general claim of the Maritime provinces, on page 19 of the White Commission report. Perhaps tomorrow morning, after you have looked into it - I would not ask you to go into it now, -

HON. MR.JONES: I have it right here.

MR.STEWART: But perhaps tomorrow morning we might go into it.

HON. MR.JONES: Very well.

MR.STEWART: I know there is some obscurity in the way they express themselves.

HON. MR.JONES: Yes, I will be glad to go into it.

"The question of regional tariffs has been mooted and we think such tariffs might be adequate to meet the situation if they could be worked out in practice and we commend the idea for the consideration of the Commission".

MR.STEWART: I think that suggestion would have to be developed if it were to be useful to the Commission, Mr.Jones. Just what have you in mind by regional tariffs?

HON.MR.JONES: When I inserted that clause I had in mind, and I don't know that it could be worked out, but all my life I have had in mind the great advantage that would accrue to this province if it had been enabled to set up a tariff against the provinces of Ontario and Quebec as to manufactured articles, in the same way that the Dominion sets up a tariff against the United States on similar articles coming into Canada. We have now no protection, and if we had a tariff against those upper provinces, even though it might be small, we could encourage our own manufacturing industries in this province. It seems to me we would have blossomed out in a different way than we have blossomed. And we could also make our trade reciprocities. Our natural market is in the United States. We cannot hope to sell our farm products in the provinces of Quebec and Ontario, especially with heavy freight rates by rail. If we had that tariff, which might be called a regional tariff, or any other kind of tariff, so that we could really have some protection for our local industries, then it would be of immense benefit to New Brunswick and that is what I had in mind about a regional tariff. I do not know that the words regional tariff bear any other construction or whether they have been used in a different way, but that is what I had in mind. Whether we can do that now of course, it seems very doubtful whether we could under Confederation or under the system that has prevailed, but that is what I had in mind as regional tariffs.

MR.STEWART: Any such idea to be effective would have to involve either a very substantial decrease in the United States customs tariffs or the finding of substantial markets elsewhere for New Brunswick products, would it not?

HON. MR.JONES: Yes, but we could make concessions to the United States and grant concessions in other markets.

MR.STEWART: Have we any reason to expect that they would give concessions in the very things that New Brunswick desires to sell?

HON. MR.JONES: Very likely. In the reciprocity treaty of 1854 there were concessions made and in the reciprocity treaty that was promulgated and agreed to before the elections in 1911 they granted concessions to New Brunswick farmers.

MR.STEWART: But is it not also true that just on the eve of Confederation the reciprocity treaty was denounced by the United States?

HON. MR.JONES: I know it was in force about ten years.

MR.STEWART: And is it not also true that in 1896 Canada attempted to get a reciprocal trade agreement and were hardly given a decent hearing?

HON.MR JONES: That may be.

MR.STEWART: And we are again endeavoring at the present time.

HON. MR.JONES: But they were apparently quite willing in 1911. And of course we might not find them in the humour to grant reciprocity to us. But that is our natural market and if we had the means here of protecting ourselves against the province of Ontario and Quebec and against the United States, I think it would

not be difficult to have some concessions, so we could enjoy our natural market which is across the border. There is no doubt about that.

MR.STEWART: Would it not be reasonable to expect that this tariff as between Ontario and Quebec on the one hand and the Maritimes on the other hand would be two walls, that they would also desire to erect a tariff wall against you here.

HON.MR.JONES: They may do so. As far as New Brunswick is concerned we have not anything to sell them, if we could find another market.

MR.STEWART: Does not New Brunswick sell a good deal of fish in the Canadian market?

HON. MR.JONES: I do not think it would amount to anything.

MR.STEWART: Lumber?

HON. MR.JONES: No.

MR.STEWART: Pulp and paper products?

HON. MR.JONES: We could send more to the United States if we had the chance.

MR.STEWART: Pulp and paper products?

HON. MR.JONES: Some pulp.

MR.STEWART: Sugar?

HON. MR.JONES: Well, we do not raise sugar here.

MR.STEWART: No, but you export, a good deal of sugar is refined here.

HON.MR.JONES: There is a refinery here.

MR.STEWART: And sent into central Canada for its principal market.

HON. MR.JONES: Yes, that practically all goes there.

MR.STEWART: It would be rather difficult, if New Brunswick were shut out of central Canada, for those products to find a market, would it not?

HON. MR.JONES: I do not know that that would amount to very much. We would soon find a market for them

elsewhere I think. And I may be wrong, because I must confess this is my own idea, and of course I am quite capable of making a mistake. But I have always thought if we could only gain access to the American market--- I remember all through my youth we had carriage manufacturers, we had tanneries, we had manufacturers in New Brunswick, and the province of Ontario sent down carriages and doors and sashes and all kinds of woodwork, and all kinds of farm machinery, because we used to manufacture farm machinery as well in this province, and they sent it down. We had no protection against them. And I saw, I thought I saw, the province of New Brunswick going backward all the time, and we had no redress, it kept on. And the way I saw it, it has really impoverished the province. If we had not the very best country in the world right here we would have been dead long ago, but we have a great province here and our farmers can struggle along. But we could make agreements with the United States, ^{we} could make an agreement with Great Britain which would surely give us a better market than the market of Ontario and Quebec. The whole scheme from a business standpoint, a commercial standpoint, of endeavoring to create a market for New Brunswick in the province of Ontario and Quebec it seems to me is incapable of realization. It is unnatural, it is geographically unnatural. On the other hand, as I say, through the centralization of industry they have swamped us and we have got no protection against it. We cannot make any reciprocal treaties with anybody else and we cannot put up barriers there. And so the more I talk about it the more I am convinced that carried to the logical conclusion it is a very good thing.

COMMISSIONER ANGUS: When you say "we could make an

agreement," you mean the province of New Brunswick might negotiate an agreement with the United States or with Great Britain?

HON. MR. JONES: We could do it in this way: Perhaps we could not make a treaty but we could fix our tariff and they could fix theirs. We could simply have an understanding with them, well, we are going to reduce our tariff so and so and they are going to reduce theirs. It would not be by treaty. The question would arise, Mr. Stewart may say then that the province would have no right to make a treaty, only the Dominion may make treaties, but I think it could be worked in that way.

COMMISSIONER ANGUS: So the United States would have one rate of duty for things that came from New Brunswick and another rate for things that came from the central part of Canada?

HON. MR. JONES: Quite so.

THE ACTING CHAIRMAN: That would lead to unity, I suppose?

HON. MR. JONES: It might.

THE ACTING CHAIRMAN: Perhaps too much unity?

HON. MR. JONES: It would be more likely to lead to unity if you satisfy the component parts of this confederation than if you keep them dissatisfied.

THE ACTING CHAIRMAN: I mean if you have practically a provincial treaty-making power?

HON. MR. JONES: Well, it might have that effect in regard to tariff matters. If you had regional tariffs it might have that effect. But it seems to me that if we are going on to pay tribute to that system, if we are going to be hewers of wood and drawers of water for ever for the central provinces then we will be more and more

impoverished all the time. The best of our people have to go elsewhere to make a livelihood. There are only a few old fellows like myself left. But that is the real fact of the case and, as I say, I have always felt that we were in wrong in that respect.

MR. STEWART: Do you not think it would create an irresistible centrifugal force and destroy the whole Dominion of Canada if the principle of regional tariff were admitted for one moment?

HON. MR. JONES: Oh well, I don't know about that. How is the British Empire held together? By chains or by freedom?

MR. STEWART: Sentiment, I believe, is the only word.

HON. MR. JONES: Well, we would still have the sentiment. We would still belong to the Empire.

THE ACTING CHAIRMAN: When the Commission will come to study this brief, this viewpoint presented here, may we take it as the views of Mr. Jones or the views of the government of the province?

HON. MR. JONES: This has been included in the brief by consent of the government of New Brunswick and therefore it is a part of their position.

THE ACTING CHAIRMAN: The whole brief?

COMMISSIONER ANGUS: One other point: The effect on the Canadian revenue. If there were regional tariffs under the control of each province would that very probably seriously impair the customs revenue that the Dominion Government was able to collect?

HON. MR. JONES: I fancy it would, and as far as we are concerned there is no objection to impairing it, because we would like to see it impaired.

MR. STEWART: Now, be very careful of that sentiment which ties us together.

HON.MR.JONES: But the whole Empire, as I say, is drawn together by sentiment, and the reason for that is because the component parts are satisfied, they are satisfied Great Britain will satisfy them and see that they are satisfied, and has given them absolute freedom to do certain things, given the Dominion power to make treaties and all that sort of thing. And that to my mind would be the sure guarantee of a continuation of confederation. Otherwise, as I say, if we go on suffering from that policy all the time, and Professor Rogers is an authority and he says nearly \$5,000,000 a year in Nova Scotia, a constant drain, constant drain, if we go on with that then I doubt whether we can maintain confederation.

"We submit that the most practicable method ---"
I am coming to a most practicable method.

THE ACTING CHAIRMAN: Then, Mr.Jones, we might perhaps adjourn until tomorrow morning at ten-thirty. There are only four or five paragraphs left, but you say it is important as far as you are concerned and there is no use trying to save time.

HON. MR.JONES: Yes.

(At 4:50 P.M. the Commission adjourned to resume at 10:30 A.M. Friday, May 20th, 1938.)

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